### World News

## Mandela and EC ministers de Klerk to hold informal UK stance meeting

Nelson Mandela, deputy resident of the African
National Congress (ANC), said
he would hold an informal
meeting later this week with
F.W. de Klerk, the South Afrian President can President, suggesting that formal talks between the two sides might not be seriously

delayed.
On Saturday, the ANC announced it was postponing the first ever formal negotiation of the first ever formal negotiation. tions with Pretoria, due to have begun on April 11, because of police brutality towards black demonstrators. Page 18; Tortuous path to negotiating table, Page 17

Prisoners riot in UK Prisoners are thought to have died and 39 people were injured in riots at the Strangeways prison in Manchester. in northern England. Parts of the prison were last night burning out of control

Romanians mobilise The Romanian army used armoured personnel carriers to protect Government headquarters in Bucharest's Piata Victoriei as 3,000 protesters chanted anti-government slogans. Page 4

Tiananmen closed China cordoned off most of Tiananmen Square, the centre of a pro-democracy campaign crushed by the army last June, in the latest sign of tightened security ahead of key anniversaries of unrest. Page 2

Mugabe wins poll Robert Mugabe, Zimbabwe's leader since independence in 1980, was officially declared the winner of last week's presidential election. Page 2, Editorial comment, Page 16

Le Pen's tough line Jean-Marie Le Pen backed calls by mainstream conservatives as proof that his extremist. National Front party has seized the leadership of the French right. Page 6

Blast rocks Sydney A series of explosions rocked a liquid petroleum gas com-plex, closing Sydney's interna-tional airport and forcing a

Soviet price rises Three radical alternative versions of price reform in the Soviet Union have been --unveiled by the top government official responsible, all of which would mean a sharp rise in overall price levels.

Baker hits Contras James Baker, US Secretary of State, disowned the Reagan Administration's covert war against the Sandinista government in Nicaragua. Page 3

Wine contaminated Shipments of French wine to the US have been blocked for the past two weeks because US health authorities have discovered an unauthorise fungicide in wines. Page 2

E Germans talk

East Germany's two main political parties, trying to steer a course for unification with W Germany, are discussing formation of the country's first non-communist government.

Kurdish peace move The leader of Turkey's separatist Kurdish rebels was quoted as calling for a ceasefire and talks with Ankara to end the conflict which has killed 2,000 people since mid-1984.

Mass grave enquiry East Germany, which has been uncovering mass graves of victims of postwar Soviet internment camps, has set up an official investigation into how tens of thousands died in appalling conditions.

Shake up in Nepal The royal palace in Kathmandu announced that King Birendra had dismissed nine government ministers on the advice of Prime Minister Mar-

ich Man Singh Shrestha.

Unholy alliance Right-wing army rebels said they were willing to join forces with communist guerrillas to topple President Corazon Aquino's government but urged left-wing insurgents to

renounce communism. Swisscapade.

A Swiss mountain guide climbed, jumped, ran, rode and swam his way across Switzerland from the Matterhorn to Geneva at the weekend in a bid to raise money for the handicapped.

### **Business Summary**

## hall fresh over union

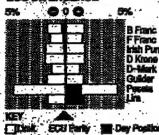
**EUROPEAN Community** finance ministers moved forward towards the design of an economic and monetary union (EMU).

mion (EMU).
Britain's partners hailed a
"constructive" change of tack
by Mr John Major, the UK
Chancellor of the Exchequer.
The year-long impression of
Britain being engaged in a solo
fight against RMU was considerably softened at the informal
meeting near Galway. Republic meeting near Galway, Republic of Ireland. Page 18

EUROPEAN MONETARY SYSTEM: The D-Mark finished the week on a firmer note, but remained relatively depressed within the EMS. The Italian hra, while staying at the top of the system, lost ground on rumours of a possible cut in the Bank of Italy's 13% per cent discount rate. Recent encouraging economic news underpinned the French franc and on Wednesday the cur-rency touched its highest level against the D-Mark since May 1988. Currencles, Page 29

March 30, 1990 EUS .





The chart choins the constraints on EMS exchange rates. The upper grid, based on the sys-tem's weakest currency, defines the cross-rates from which only the peseta may move by more than 24, per cent. The lower chart gives currencies' diver-gence from the central rate est the Reu

Arthur Maria BANKING: The world's second lergest bank opens for business for the first time today, the result of a delicate merger between Mitsui Bank and Taiyo Kobe Bank, two of Japan's leading commercial banks. Page 21

BRAZIL'S Economy Minister, Ms Zelia Cardoso de Mello, cancelled meetings with leading international bankers in Mon-treal in which the Government was expecting to embark on a renegotiation of the country

\$115bn foreign debt. Page 3 GIANCARLO Parretti, Italian financier whose Pathe Commu-nications has hid \$1.26bn for MGM/UA, Hollywood film studio, was sentenced to almost four years imprisonment on charges of fraudulent bankruptcy. Page 6

INTERNATIONAL Stock Exchange is studying existing rules governing buy-ins by issuers of their own debt instruments to see whether changes are needed to its rules on the nature and timing of information which must be

TRADE: US and Japanese negotiators announced deals in two important trade dispures as Japan agreed to ease foreign sales barriers to satel-lites and telecommunications products. Page 2

GROUP Delhaize "Le lion", Belgian supermarket company-which has a major US pres-ence, saw consolidated profits jump last year 33.8 per cent to BFr3.21bn (\$90.17m) on sales 23.4 per cent higher at BF260bn. The dividend is to

be raised 25 per cent. Page 21 **BUSH** Administration faces a tough fight this week to win full Senate approval of Mr Timothy Ryan as chief regulator of the financially troubled US savings and loan industry.

ACCOR, leading French hotel and restaurant group, reported a 29 per cent increase in net operating profits, to FF1606m (\$105m) last year against FFr469m in 1988. Page 21

FUND Management: Three British and one US fund management groups are expected to win approval to set up investment trust management subsidiaries in Japan. Page 21

## Extremists accused of leading tax riot in London

By Allson Smith, Emma Tucker and Jimmy Burns in London

POLITICIANS of all major parties yesterday condemned the violence during the poll tax demonstration in central London on Saturday, blaming a minority of extremists for the fighting and looting.

The police said yesterday that the demonstration against

the controversial new community charge turned into a riot when extremists tried to march on the official residence of Mrs Margaret Thatcher, the British Prime Minister.

More than 130 people were

injured and 340 arrested during the violence, the worst in cen-tral London for decades. Mr David Waddington, the Home Secretary, will make a statement to the House of Commons today announcing an inquiry into the disturbances.

Violence flared again yester-day as Mr Waddington visited the area. A police sergeant suf-fered a broken jaw and two other people were hurt when scuffles broke out. Four people were arrested. Scotland Yard has asked its

Central London Area Major Investigation Pool to dissect all the evidence about Saturday's events and to establish to what extent the six hours of mayhem in London's West End were planned and by whom. The organisers of Saturday's anti-poll tax demonstration, which deteriorated into a riot, the All Britain Anti-Poll Tax Federation, announced that it would be conducting its own inquiry to identify the rioters.

Mr Tommy Sheridan, the

federation's chairman, said

yesterday that any rioters identified as members of the the federation would be expelled. Mr Sheridan said: "If any of those who climbed the scaffolding in Trafalgar Square and threw blocks of concrete, metal and fire extinguishers into the

crowd are identified, we will

have no qualms about informing the police."

Meanwhile as Tories blamed extreme left-wing groups for the violence and called on Mr Neil Kinnock, the opposition Labour Party leader, to take action against 30 MPs who support the campaign not to pay the poll tax, Labour denounced Continued on Page 18 At the gates of Downing Street; Page 10. Limiting the damage of the

poll tax: Page 17



Wreckage strewn across London's streets following Saturday's riots

## W Germany likely to exchange East Marks at 2 to 1

By David Goodhart and David Marsh in Bonn, David Buchan in Ashford Castle, near Galway, and agencies

THE West Government is likely tomorrow to endorse a Bundesbank recommendation to exchange East German Marks into D-Marks at a rate of two to one rather than the expected one to

The central bank's recommendation on future German monetary union received the backing of Mr Theo Walgel, Finance Minister, and thus implicitly of West German Chancellor Helmut Kohl But it was greeted in East Germany with accusations of broken promises and it could take some of the momentum out of Mr Kohl's political ascendancy.

The recommendation is that only 2,000 marks from savings accounts should be exchanged at one to one and everything else at two to one. Mr Waigel's advisers argue

that a one-to-one exchange rate for East Germany's corporate and national debt would create enormous extra costs of debt service and that one to one for wages would render the couny even more uncompetitive. Mr. Waigel and Mr Karl Otto Pohl, the Bundesbank president, briefed finance ministers and central bank governors of West Germany's EC partners at an informal weekend meeting at Ashford Castle, near Galway, in the Republic of

Mr Pohl said he expected the money markets to react favour-ably to the plan, which he claimed would "put some real-ism" into the debate about German economic and monetary union. A two-to-one conversion rate would give "a minimum of competitive opportunity" to East German companies, which he said could no longer expect to be subsidised with

"money from heaven." East German Christian Democrat general secretary Mr Martin Kirchner said: "I per-sonally consider such a method to be unreasonable and intolerable for East German citizens." He said the CDU wanted to see salaries and pensions exchanged at a rate of one to one because earnings were 40

per cent lower than in the West. "I cannot allow this to be halved again," he said. Mr Markus Meckel, deputy leader of the East German Social Democrats (SPD), said: "This is a crushing blow. It is a breach of an election promise. Economically, it would be a catastrophe, he said.

The official ADN news agency labelled the plan Bundesbank president dis-

Bonn's reckless game of con-At the weekend meeting, the closed that East Germany had originally asked for the best of both worlds - a two-to-one conversion of debts to the East

German state, but a one-to-one exchange for savings and wages. This, said Mr Pohl, would have left West Germany with a DM50bn-DM100bn (\$29bp-\$58bn) gap to cover. As it was, giving East Germans a one-to-one rate on the first 2,000 marks in their savings accounts would potentially cost West Germany around

In Bonn, Mr Otto Graf Lambsdorff, leader of the West German Government's junior coalition partner, the Free Democrats, said that abandoning a one-to-one exchange rate for savings was unacceptable, and would amount to a broken promise. However, the Mr Helmut Haussmann, the Economics Minister and fellow Free Democrat, welcomed the recommendation.

Mr Kohl confirmed last week that East German wages and pensions would be converted into D-Marks at a less generous rate than the one-to-one rate. At the weekend Mr Kohl defended himself against accusations of electoral cynicism and broken promises by saying he had only ever promised "a sensible" exchange rate.

Mr Kohl never promised a general one-to-one exchange rate but he did say that he had "sympathy" for the general one-to-one rate proposed by the East German Christian Demo-

## Kohl states conditions of monetary union

By David Marsh

A FUTURE European central bank needs to be geared unam-biguously towards the priori-ties of monetary stability and complete independence from governments, according to Chancellor Helmut Kohl of West Germany.

Mr Kohl coupled his firmest statement to date on the condi-tions for European monetary union with a plea for further steps towards European political unity as a means of "bind-ing in" a reunified Germany. In an interview with the FT, Mr Kohl proposed that the powers of the European Parliament should be increased as national responsibilities were handed over progressively to the European Commission. The Chancellor gave an opti-

mistic assessment of a prospective "investment boom" in East Germany. He said he believed elections for a united German parlia-

ment would take place in the second half of next year. On the European issues, Mr Kohl affirmed: "The aim of the Treaty of Rome is not the single market - that is just a step. The objective of the Treaty of Rome is political

He said: "German unity and European unity have to be two sides of the same coin. That's why whoever is afraid of the so-called Fourth Reich, the 'German steamroller' should also say that we should estab-lish a form of European net-work to bind the Germans in." Interview, Page 4; Finance ministers meeting, Page 18

## **Show of armour** in Lithuania backs Gorbachev

By Mark Nicholson in Moscow

SOVIET armoured vehicles yesterday passed through the centre of Vilnius, the Lithuanian capital, backing up a tough weekend warning by Soviet President Mikhail Gorbachev that the republic would face "grave consequences" if it did not recant its indepen-

Up to 30 troop carriers disembarked from the city's rail-way station and rolled through Vilnius at lunchtime to a nearby base. Lithuanian officials claimed further military preparations, including the installation of two helicopter pads, were being made at Vilnius airport. Western correspondents also

reported that additional troops and up to 30 more military vehicles arrived in Vilnius ear-lier on Sunday to reinforce the local garrison.

Yesterday's show of armour seemed calculated to raise the stakes further in Moscow's tense stand-off with Lithuania. The open movement of troop carriers through crowds of Sunday strollers was in sharp contrast to a show of armour on March 25 when up to 100 troop carriers rumbled through the city at 3am witnessed only by television crews and the late-sitting parliament.

Mr Gorbachev's weekend address to the people and leaders of Lithuania, carried on television and in the press. stressed that talks could open only "within the framework of the Soviet constitution" and only if "Lithuania annulled its declaration of independence. Although these are Mr Gorbachev's strongest words to date on the Lithuanian question, he has repeatedly insisted that force would not be used.

Mr Vytautas Landsbergis, the Lithuanian leader, yester-day called an emergency meeting of the parliament's presidium to discuss the intensification of pressure from Moscow, denouncing Mr Gorbachev's strongly worded warning as "harsh and vindictive."
However, the Lithuanian
President will today send at
least three deputies, headed by Mr Romualdas Ozolas, the Dep-uty Prime Minister, to Moscow

in a fresh attempt to open talks

with Mr Gorbachev. A similar

deputation returned from Moscow earlier last week hav-

ing failed to create openings at any level with the Soviet authorities. However, the Lithuanian deputation will arrive in Moscow firmly opposed to any such recantation. "It cannot be now demanded that we annul everything that we bore in our hearts," Mr Landsbergis said

yesterday. A spokesman for the Lithuanian parliament denied reports vesterday that Lithuania migh be prepared to rewrite its declaration of independence to make it somehow palatable to the Soviet leader.

The official added, however, that there "could be room for Continued on Page 18

## Scandinavians to detail £409m bid for British property group

By John Burton in Stockholm and John Thornhill in London

SPP, Scandinavia's largest insurance group, is today expected to announce the terms of an agreed £409m (\$691m) bid for London & Edin-burgh Trust, the British prop-

erty group.

Barring last-minute hitches,
SPP will reveal an offer worth
220p a share, representing a substantial premium to LET's share price of 175p at Friday's close. Last month, LET anounced that it was in bid talks which prompted a sharp rise in its share price.

The Beckwith brothers, John and Peter, who founded LET in 1971 come 2015 and peter who founded LET in 1971 come 2015 and peter of the period of the last come 2015 and peter of the period of the last come 2015 and peter of the last come 2015 and

1971, own 20.5 per cent of the company's equity and stand to gain more than £40m each from the deal.

The move by SPP may represent part of a trend among

Swedish insurance companies to invest in foreign property following the abolition on July

Swedish insurance companies have complained that there are few suitable proper-ties left in Sweden for investment purposes because the market is overvalued. The opposite conditions exist, they believe, in European cities such as London, Brussels, Amsterdam, Lisbon and Madrid, where Swedes are invest-

ing heavily.

"The Swedish property market has been, and is, overheated, while the overseas market is big with possibilities that can't be found in Swe-den," said Mr Krister Hertzen, SPP's managing director.

LET is a property develop-ment company with half its assets overseas, although it also has some interests in

financial services.

SPP's bid will almost equal the £420m purchase in December of property in London, Madrid and Lisbon by Skandia, Sweden's largest private insur-ance company, from the inter-

national division of Reinhold, a Swedish property firm.
It was Sweden's largest foreign property purchase to date.

The London property involved in the deal included the Sheraton Skyline Hotel at Heathrow, Bible House in Queen Victoria Street and the Transatlantic Building in Trafalgar Square.
SPP is the collective pension fund and insurance group for

member companies and employees.

SPP was established at the beginning of the century on the initiative of management and salaried workers to pro-vide insurance protection exceeding that offered by the

Sweden's 1m private sector white-collar workers. It is

jointly operated and owned by

SPP has kept a low profile as a property investor until recently, with only 8 per cent of its portfolio in real estate at

### 1 last year of foreign exchange controls that previously pre-vented them from doing so. CONTENTS European Community: Progress on the sin-THE MONDAY INTERVIEW

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Charles Murray, US writer and social scientist, believes almost all welfare benefits should be abolished and that social policles invented by well-intentioned middle class professors create thoroughly perverse incentives

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Management: Corporate alliances: the path for career couples . Editorial comments in or out of Europe; Zimbabwe - a policy doomed to failure ... Aero-engine industry: Packing in more power through strategic alliances .... South Africa: Tortuous path to the negotiating Lexz BTR squares up to the attorneys; ANZ
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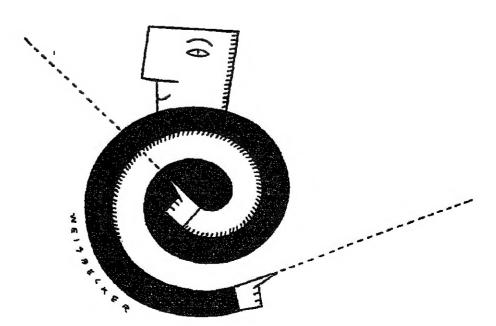
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gle market gathers pace .

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Researchery Frankler Levernt-park London

## Mugabe claims mandate to form one-party state

By Julian Borger in Harare

ZIMEABWE'S President Robert Mugabe has called his victory parliamentary elections a man-date for the establishment of a one-party state.

Hours after the announcement of the results, Mr Mugabe left the door open for his challenger, Mr Edgar Tekere, to "retrace his steps" back into the ruling party, the Zimbabwe African National Union, Zanu (PF), and said Zimbabwe could now move forward to a oneparty system "with a clear con-

Zanu (PF) won all but three of the seats contested in the parliamentary elections while, in the presidential contest, President Mugabe won a com-fortable 78 per cent of the votes cast. However. Mr Mugabe, Zimbabwe's ruler for the last 10 years, only gained the vote of 42 per cent of the total electorate, as nearly half the registered voters stayed away dur-ing three days of polling.

Mr Tekere's opposition Zimbabwe Unity Movement, Zum, also suffered from the stayaway, winning only two of the 120 contested parliamentary seats, both in their eastern stronghold of Manicaland,

although the Zum leader man-aged to capture just over the 20 per cent of his opponent's vote needed to retain his deposit.

While some other Zanu leaders, particularly Mr Eddison Zvobgo, Political Affairs Minister, have argued over the last week that the one-party state was not an issue in the elections, because it would be dealt with in a future referendum. President Mugabe made it clear yesterday that he believed the elections provided a sufficient mandate and said any further delay would be a matter for the Zanu central

Mr Tekere, has so far refused to comment on the result from his home in the Manicaland capital of Mutare, but a senior Zum official yesterday accused the Government of widespread election rigging.
Dr Emmanuel Magoche,

committee to decide.

Director of Elections, claimed that his party's polling agents had been forced to leave centres where votes were being counted on Saturday after intimidation by members of the Zanu youth league, and that he believed the count was manipulated in their absence. Editorial comment, Page 22

## US blocks imports of wines containing fungicide traces

By George Graham in Paris

SHIPMENTS of French and Italian wines to the US have been blocked because they con-tain traces of an unauthorised

The fungicide, called Procymidone, is made in Japan and widely used in European vineyards, but has not been taken up by US growers nor received the approval of the US Food

and Drug Administration.

If the dispute cannot be resolved, it could affect French wine exports to the US, which totalled FFr3bn (£321m) last year. France exported a total of FFr23bn of wine last year, and the US was the second largest

customer, behind the UK. French agriculture ministry

officials said, however, that the problem was for the moment a technical one. They hoped it would be possible to work out an agreement on permissible levels for Procymidone. European wine-producing countries already have regulations on the allowable levels of Procy-midone and it is understood that the traces found by US officials were well below these limits. It appears only certain wines have been blocked.

Growers are particularly anxious not to have their choice of fungicides curtailed because of a surge in eutyp-iose, a fungus which has been ravaging ugni blanc and cabernet sauvignon vines.

## Tiananmen Square security tightened

By Peter Ellingsen in Peking

THE CHINESE Government yesterday cordoned off most of Tlananmen Square, centre of a pro-democracy campaign crushed by the army last June, in the latest sign of tightened security ahead of key anniver-

children waving red flags and armed police filled the square after a wreath was placed on the Monument to the People's Heroes, focus of last

year's protest marches.
Police vans patrolled the
steel fence erected to keep residents at bay. Guards on key
intersections and sensitive areas have been increased, along with checks on cars and pedestrians. Authorities appear worried

that Thursday's national day of mourning war dead, known as Qing Ming, will be used to remember victims of June 4 and possibly spark resurgence of discontent that led to seven weeks of protest last year. People have been told to

avoid Tiananmen Square after the appearance of leaflets urging residents to rally for a demonstration in the square.
The leaflets, some believed to have come from Chinese dis-

sidents abroad, indicate that sidents abroad, indicate that the democracy movement is not dead. Privately residents talk of continuing anger at June 4's killings, and the possi-bility of public protest on Cing Ming, or the day after, April 6, which marks the 1976 attack by security forces on people mourning the death of the former Premier, Zhou Enlai Qing Ming is the first of half

a dozen approaching anniver-saries linked to last year's uprising.
Dates connected to last

year's rallies begin on April 15, first anniversary of the death of former liberal Party chief, Hu Yaobang, the spark for 1989's mass uprising. Dissidents are also focusing on Sep-tember, when the regime will be on show during Peking's hosting of the 11th Asian

Li Qiyuan, deputy head of Peking's Party committee, last week cautioned that the next three months could be an "extremely unstable period."

### OFFICIALS MEET TODAY ON STRUCTURAL IMPEDIMENTS INITIATIVE Kaifu presses for concessions to US

NEGOTIATIONS within Japan's ruling Liberal Demo-cratic Party continued late into the night over how much to offer when US and Japanese trade representatives meet in Washington today to draft a mid-term report on their Structural Impediments Initiative

(SII) talks. Mr Toshiki Kaifu, the Prime Minister, has been pushing hard for a substantial response to US demands at this stage in the hope of preventing SII from becoming an issue in the US mid-term election campaigns later this year. But other LDP leaders, who draw support from industry groups which would be harmed if Japan gave way to US demands, were con-tinuing to resist the pressures

for change.
The indications in Tokyo yesterday were that Mr Kaifu was getting his way, but per-haps at a high personal cost. According to government sources, it has been agreed to revise the Large Scale Retail Stores Act, a law which protects small shopowners, in 1992

LIFE STORES, a medium-sized

Japanese supermarkets group, has filed a suit challenging the

legality of Japan's controver-sial Large-scale Retail Store

The action is an embarrassment for the Japanese Govern-

ment, coming when the US

Government is pressing hard for abolition of the law, claim-

ing its operation prevents for-

eign retailers from setting up shops in Japan and restricts the distribution of imported

The law's purpose is to pro-tect small shopkeepers from the competitive power of large

chains and department stores. The opening of any store with floor space of more than 590

square metres requires the approval of the Government. The law has long been opposed by chain and depart-

ment store operators, but Life Stores is the first to contest its

legality. Mr Shinji Shimizu,

chairman of Life Stores,

claimed that the law infringes

By Ian Rodger

Japanese retail law

to make it easier for new

supermarkets and chain stores to win licences. Pending the revision, the Government will shorten the period from the application to the opening of a store to a maximum of one year from the current 10 years or more. The Government also plans to exempt stores to be opened in big cities from the delays required under the current regulations.
The US has claimed that the

law acts as a barrier to foreign retailers trying to set up shops in Japan and to the free distribution of imported goods in Japanese shops. It has demanded that the law be abolished. Small shopowners, a major support base for the LDP, want the law maintained.

According to government sources, Japan will also prom-ise that it will draw up a new five-year public project investment programme to boost its public works spending. Wash-ington has demanded that Japan set aside at least 10 per cent of its gross national prod-

the freedom to trade,

enshrined in Japan's constitu tion. "The law is exercised unfairly behind the scenes, and I want to inform the pub-

lic and the world of the fact."

Mr Shimizu said that Life Stores had announced plans to

open a a 4,620-square metre store in a Tokyo suburb, but had never been able to go ahead because of the way the law was enforced. He said the

Ministry of International Trade and Industry told the company it had to win the

company it had to win the agreement of local merchants before proceeding with the plan. However, they consistently refused to negotiate with Life Stores. The company was seeking damages as well as the abolition of the law.

A Miti official said that no parts of the law violated laman's constitution. However.

Japan's constitution. However,

it is widely expected that the Japanese Government, in

response to US pressure, will announce proposals this week to ease some of the procedures.

uct for public works spending. At present, public investment represents about 6.7 per cent of

It is not clear what the Gov-It is not clear what the Gov-erument will offer on other US demands, including the right-ening up of enforcement of anti-cartel legislation.

Mr Kaifu, who has no signifi-cant power base within the LDP, has apparently decided to rick his factor on the SII tells.

risk his future on the SII talks, pushing hard for a substantial response to the US demands at He has perhaps been buoyed by recent indications of the popularity of both the SII reforms and his own adminis-

tration among Japanese.
A poll published in the Nihon Keizai Shimbun, Japan's leading business newspaper, early last week suggested that Japanese support the US-demanded structural reforms by
47.4 per cent to 39.5 per cent.
Of the 16,000 people polled, 85.9
per cent thought that Japan
should respond favourably to
US demands and a majority

the rice market to imports.

Later in the week, other polls indicated that the public's rating of the Kaifu administration had risen substantially to approximately 50 per cent.

There are signs that these polls have had some impact on LDP leaders opposing Mr Kaifu's aggressive line. Early in the week, cabinet ministers were openly going behind his were openly going behind his back to seek support within the party to undermine his efforts. But at the weekend, party power brokers agreed to leave the resolution of the Government's ultimate stance to him and three other party lead-

In the past, however, this capitulation by the party to the capitulation by the party to the leader has often left the leader isolated, lacking the consensus support he needs to carry on. In Mr Kaifu's case, party bosses were already angry with his stubborn refusal to include scandal-tainted politicians in the cabinet he formed after last February's election.

After the SII struggle, his

## Stores group challenges Tokyo dismayed at inclusion in hit-list

By Robert Thomson in Tokyo

JAPAN'S Government is dismayed that Washington has given notice of new trade disputes by naming the country as an unfair trading partner and Tokyo officials here warned that US retaliation could threaten the international trading system.

Government officials indicated that a formal reply to US claims would be prepared in coming days, but Mr Kabun Muto, the Minister of International Trade and Industry, said that that Japan's prominence on the annual US trade hit-list, the National Trade Estimate Report on Foreign Trade Barriers, released on Friday, was

regrettable.
Mr Muto said Washington that Japan has tried to make that Japan has tried to make its markets free and open" through participation in the Structural Impediments Initia-tive (SII) talks and marketopening negotiations.

He warned that Washington should show caution before retaliating because "making a decision unilaterally without enough dialogue with trading partners would have negative effects on the multilateral sys-

tem of free trade".

Thirty-five items were listed in a 19-page section on Japanese barriers in the report, and these will form the basis of a decision by the US Trade Rep-resentative's Office on whether to launch new cases against Japan under the punitive Super 301 section of the Omnibus Trade Act.

Japan had thought that the US was relatively happy with progress in outstanding Super 301 cases and had hoped that the US would reward the country with a less hostile listing in

this year's report.

The list cites alleged prob-lems including lack of intellectual property rights and restrictive standards on testing of new imports, while the specific items range from soda ash to amorphous alloys and, as

## Japan and US make progress on disputes

By Nancy Dunne in Washington

US and Japanese negotiators have announced deals in two important trade disputes as Japan agreed to ease foreign sales barriers to satellites and

telecommunications products.
The two sides also last week reached a preliminary screement on trade in super com-puters, named along with satellites as targets for negotiation under the "Super 301" provi-sion of US trade law. Wood products remain the

single Super 301 case outstanding, negotiations are expected to resume in Tokyo this month. The US is demanding changes in standards and lower tariffs, but the talks are beset by powerful lobby groups on both sides. Failure to reach an accord may bring retalia-tion as early as June 16.

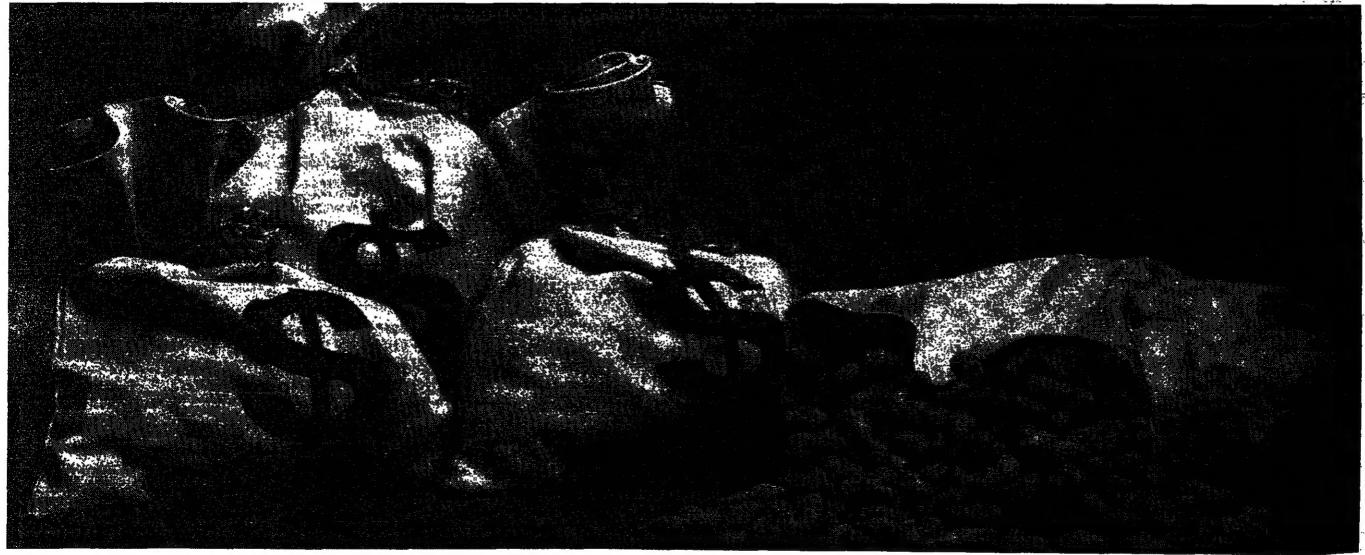
with three out of four main sectoral disputes near settlement, the focus this week shifts to the Structural impediment Initiatives designed by the US as a vehicle to demand changes in Japanese business practices. The negotiations are supposed to accomplish more supposed to accomplish more than the protracted sector-by-sector talks, which seem to have little impact on the \$49bn

trade deficit.
The telecommunications agreement, apparently still pre-liminary, is expected to pave the way for US sales of advanced office telecommunications equipment. The two sides have agreed to negotiate the details over the next four months. The pact also opens the market to telecommunications services, like fax net-

On satellites, Japan has agreed to open its highly pro-tected government procurement market. Foreign produc-ers will be permitted to hid on two CS4 weather and communications satellites. The US has agreed to continued protection for satellites devoted to purely scientific purposes.

Tokyo now faces the con-gressionally mandated second round of Super 301 listings, due out on April 30. The 1990 National Trade Estimate Report, released on Friday, cited Japan for having the most barriers (followed by the

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But we also help if it's peanuts.

## Senate fight Stephen Fidler reports from Montreal on the eve of the IADB annual meeting expected over US thrift chief

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By Peter Riddell, US Editor, in Washington

THE Bush Administration faces a tough fight this week to win full Senate approval of Mr. Timothy Ryan as chief regulator of the financially troubled IIS carrings and lear indigtry. US savings and loan industry.
The latest complication is Mr
Ryan's admission that he used
illegal drugs in the early 1970s.
The appointment is of critical importance in view of

claims that the \$200bn-plus rescue of the savings and loan (thrift) industry has lost momentum and after a court ruling that the appointment of Mr Ryan's predecessors as director of the Office of Thrift Supervision was unconstitutional because not confirmed

by the Senate.

This judgment, now being appealed, has raised doubts about the whole rescue operation and increased the urgency of Mr Ryan's approval. Any delay could result in losses of

\$100m or more. The odds are still that the Ryan nomination will be approved as many Senators will not want to be blamed for

increasing these losses.

Mr Ryan's nomination was approved by the Senate Bank-ing Committee by 11 votes to 10 on Friday after criticism by Democrats of his lack of experience and alleged conflicts of interest in his career as a lawyer, which included a period in

the Labour Department.
Democratic leaders have promised tough opposition when the nomination comes to the Senate floor, probably on Wednesday, and several have called for the nomination's withdrawal

The impact of Mr Ryan's drug use is difficult to assess and may not change the out-come, as the facts were already privately known to the Senate committee before Friday's vote. Mr Ryan, 44, disclosed to the Federal Bureau of Investigation and to the Administration that "early in the 1970s I smoked marijuana on a few occasions and tried cocaine

once, perhaps twice."

The Administration went on the offensive at the weekend to back Mr Ryan, lobbying Senators. Mr Nicholas Brady, Treasury Secretary, who protested at the leak of the background check, said that "the incidents were limited and a long time ago. We know about this issue because the nominee volun-tarily disclosed the informa-tion. We do not believe the reported incident should deter the full Senate from acting promptly and favourably on Mr Ryan's nomination."

While there may be sympa-thy for Mr Ryan's honesty, the disclosure could have an effect, though Democrats will publicly concentrate on Mr Ryan's

alleged lack of qualifications.

President George Bush has said that experimental drug use in the past should not disqualify people from high office.

A similar issue has arisen in the contest for December 1 the contest for Democratic nomination for Governor of Texas, where Mrs Ann Richards has refused to say whether she used illegal drugs.

LIVING STANDARDS in Latin expanded 8.5 per cent. Para-America fell last year as population growth outpaced the region's modest economic Surinam, Guatemala, Barba-Surinam, Guatemala, Guat expansion, according to the annual report of the Inter-American Development Bank, published yesterday. Economic growth in the

region continued sluggish -0.7 per cent last year against 0.9 per cent in 1988. But because of population growth, gross domestic product per head fall 1.1 per cent.

Over the decade, GDP per head fell by about 8 per cent, leaving living standards at about 1978 levels. However, the overall disappointing growth rates in 1989 hid some good performers. Chile's economy

performers. Chile's economy

## drum for **Americas**

THE Inter-American THE Inter-American
Development Bank opens its
annual meeting today in Montreal armed with a huge
increase in capital but struggling to keep international
interest alive in the economic
problems of Latin America. problems of Latin America.

The capital increase will allow the bank to lend \$22.5m over the next four years, signalling an end to a period in which the bank languished amid a debate about its role.

This saw relations between the light and the light and

the hank and the US Treasury sink to all-time lows. Now those relations appear largely repaired. The bank's presi-dent, Mr Enrique Iglesias, is said to have established friendly ties with Mr David Mulford, the Undersecretary for International Affairs at the

US Treasury.

Now, with the arguments resolved and the bank beginning to pump up its new lending, the International focus has shifted to eastern Europe.
Perhaps symbolising this,
Mr. Mulford is not attending
the meeting as scheduled, leaving no senior figure from the
US administration in atten-

The other problem faced by the bank is how to distinguish itself from the World Bank. Formerly exclusively a project lender, the bank; under the terms of its capital increase, can extend up to 25 per cent of its lending in the form of sector loans, which reward a country for specific structural economic reforms and which can be paid out much more quickly than project loans. This is a speciality of the World Bank, albeit one which

officials now seem to be emphasising less, and in the first two years the IADB's sec-tor loans will be those identified and supported by the

Apart from the bilateral talks between the bank and governments to secure new lending - among the loans being discussed is a \$300m credit to tackle air pollution in Mexico City - the focus of the meeting is elsewhere, particu-larly on the economic programmes of the governments of Argentina and Brazil.

neo-isolationism or a reduced leadership role in the world.

"Some say we should retire, mission accomplished, to tend our problems at home. I am not among them. In the new world struggling to be born, like the old world passing away, there is no substitute for American leadership.

Mr Baker's staff said he wanted to try to influence the US domestic debate, recognising that without popular support at home an activist foreign policy abroad would fall.

eign policy abroad would fail.
By placing so much emphasis on public and congressional.

support, Mr Baker intends to draw a contrast with the cloak-and-dagger, Metterni-

chian balance-of-power approach of Dr Kissinger. The Bush administration is

seeking to incorporate its support for free elections and mar-ket-oriented economic reforms in the CSCE charter on east-

west security and co-operation.

point, however, to the failure to fit the administration's China policy to the framework.

Its cerebral tone and reference to Plato also do not deal with

practical demands in, say, Poland and Czechoslovakia for English teachers, and US man-

Democrats will argue that the Reagan Administration's

refusal to raise taxes to raduce the budget contributed to the administration's present plight: having won the Cold

War, it does not have enough money to cement the victory. But as Mr Baker, one of the most politically astute Secretaries of State since 1945,

agement skills.

Critics of the speech will

## Baker disowns Reagan's Sandinista campaign

By Lionel Barber in Washington

MR JAMES BAKER, US domestic debate which suggested the US faced a choice of either alipping into neo-isolationism or a reduced owned the Reagan administra-tion's covert war against the Sandinista Government in

Mr Baker, formerly White House chief of staff and Treasury Secretary under President Reagan, said in Dallas that the Nicaragua policy failed because it divided the Ameri-can people.

His remarks confirm what many suspected: that Mr Baker disapproved of funding the Nic-araguan Contra rebels. But it has taken 18 months for him to

voice his private thoughts.

More broadly, Mr Baker attempted in Dallas to define the Bush foreign policy in terms of promoting democracy and free markets around the world. The roots he supposed the provider that the properties of the provider than the provider th world. The tools, he suggested. were free elections buttressed

by economic reforms.

Mr Baker admitted that he was concerned by the current

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Latin American GDP falls as birth rates rise

dos and Colombia each grew by about 3.5 per cent, while growth in Brazil and Mexico reached 3 per cent. But Peru's economy abrunk 14.0 per cent last year, after contracting 8.8 per cent in 1989, Venezuela's shrunk 8.1 per cent, more than reversing the 5.7 per cent growth in 1988, and in Argen-

growth in 1908, and in Argentina and Panama, growth was a negative 5.0 per cent.

The region's debt grew by about 1.5 per cent in 1989, after shrinking by 4 per cent in 1988. The net transfer of resources from Latin Americal world aligned to

BRAZIL'S Economy Minister, Ms Zelia Cardoso de Mello, has cancelled meetings with lead-ing international bankers in

Montreal at which the Govern-ment was expecting to embark on a renegotiation of the coun-try's \$115bn foreign debt. President Fernando Collor de

Mello announced last Tuesday that talks would take place in Montreal. Brazil is in arrears of

nearly \$5bn to commercial

Bankers are now not expect-

GDP ratio was little change although the ratio of total debt to exports of goods and services fell for the third successive year. In 1989, Latin American countries' interest obligations

on foreign debt amounted to about 23 cents for each dollar earned from exports, down slightly from 1988, but still exceeding the ratio of any other developing region. Repeating its description of

the 1980s as a "lost decade" for Latin America, the bank said increased foreign exchange

ing such formal talks to take place, although there may be informal meetings with bank-ers. They attribute the cancel-

lation mainly to domestic political sensitivities following the

introduction of a dramatic new

economic plan. Since part of that plan includes a partial

moratorium of Brazil's internal debt, a discussion with banks about paying interest on exter-

nal debt would be politically difficult.

foreign debt will be needed to permit a return to import and investment levels necessary to

economic infrastructure.

rebuild the region's social and

cess in the bank's efforts to return to a net transfer away increase lending, following the agreement of a capital increase from the bank, albeit a small last year and the settlement of disputes over its role, particu-

larly with the US Treasury. The bank approved loans totalling \$2.62bn last year, compared with a low for the 1980s of \$1.68bn in 1988, to finance projects with a total investment of \$6.1bn.

Disbursements of already-ap-proved loans increased mod-estly to \$2.55bn from \$2.33bn in 1988. Lending net of repay-

goes ahead, some foreign bankers will see this as confirming their worst fears about Ms Car-

doso de Mello. She was part of the team of Mr Dilson Funaro,

the former Finance Minister,

who declared an ill-starred moratorium on bank interest

payments three years ago.
Mr William Rhodes, in charge of the debt issue at Citi-

bank, said yesterday he expec-ted to hear soon from the Bra-

zilians about when they

proposed to begin negotiations.

After 1988 when there was controversy over the net transfers to the bank from borrowing countries, there was a

one of about \$60m.

The report showed two more countries going into default on their loans to the bank last year. Peru was placed on "non-accrual status" — where countries are placed after falling more than 180 days behind in payments — in February, and Honduras in November. At the end of the year, Peru owed \$80.2m in overdue principal, Panama \$56.6m, Nicaragua \$6.8m and Honduras \$11.2m.

Bank bangs Brazil minister calls off bankers meetings But in a speech here he also warned that countries in arrears on interest payments

to commercial bank creditors could find it "increasingly diffi-cult" to arrange rescheduling packages with commercial bank creditors. Ms Cardoso de Mello goes to Washington today for meetings at the US Treasury, the International Monetary Fund and elsewhere. She meets World Bank president, Mr Barber Conable, while in Montreal.

## Menem introduces competition into public contracts

By Gary Mead in Buenos Aires

ARGENTINA'S President Carlos Menem has announced an intensification of his campaign to create a slimline state, in which the public sector is being rapidly dismantled.

The most important new measure concerns state purchases from the private sector. In future all such contracts will be bandled through public tender, national and international. Currently such contracts are often made without competitive bids, and allow room for corrupt officials to skim percentages.

From July 1 the Government will put out to tender the billing and invoicing aspects of all public sector services. As of May 1, all such bills will be delivered on a monthly basis, with a 10-day grace period before penalties for late payment are incurred.

Public sector companies will in future be obliged to submit budget details to central government for approval; a detailed monthly breakdown of spending will also be required. Such companies are now required to clear all outstanding debts between each other within 30 days of being billed. The new measures, which President Menem said were

designed to "moralise" public administration and "eliminate corruption", are among the most important since he took office in July 1989. If his Peronist Government pushes through with the changes, Argentina could stand to bene-fit by more than \$250 annu-

ally. In 1988 Mr Rodolfo Terragno, then Minister of Public Works, estimated that the Government overspent by at least \$2bn a year, thanks to a system of direct contracts with the private sector.

Last year, public sector com-panies ran a \$3.867bn deficit, due partly to the prevailing system of purchasing from the private sector without competi-

tive tenders. However, one remaining doubt concerns the Government's determination to weed out the heavily over-staffed central bureaucracy, where the cosy deals between public and private sectors are made.

On March 4, the Government announced that 136 top state offices were to be closed. But officials from those offices are resisting the move; the latest shots in the Government's slimming war are likely to face even greater obstinacy.

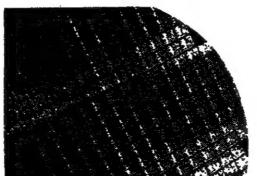
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Heienzeef, Ferdinand Bofstraat 333, Amsterdem, the Netherlands on Wednesday 18 April 1990 at 11.00 am. The financial statements and agenda for this meeting are available for inspection at KNP N.V., Rijksweg 69. 1471 GE Nearden and Eras musdomein 50, 6229 BL Maastricht, the Netherlands. Copies may be obtained free of charge from the head office or from the banks listed below.

In order to be admitted to the meeting, bolders of bearer shares must deposit their share certificates, in return for a receipt, no later than Wednesday 11 April 1990, with:

Swiss Bank Corporation Pierson, Heldring & Pierson N.V. Amsterdam-Rotterdam Bank N.V

Algemene Bank Nederland N V IN THE FEDERAL REPUBLIC OF GERMANY Dautsche Bank AG

in Frankfort IN BELGIUM Generale Bank N.Y. IN AUSTRIA Creditenstalt-Beakverein Kredietbank N.V.

In this respect a share certificate shell be equated with a declaration issued by a bank or equivalent institution to the offset that the share certificates are being held in custody by that institution on behalf of the shareholder until the end of the meeting.

Retiring by rotation this year will be Messrs. J.A.H. Delsing, E. ten Duis, F.C. Rauwenhoft, and A.H. Zimmerman. Massrs, Ten Ouis, Rauwschoff and Zimmerman bave declared their willingness to serve a further term. The Supervisory Board intends to reappoint all three gentlemen. Mr. Delsing has indicated that he will not be available for reappointment.

The Board also intends to appoint Mr. f. Hoogendijk, former member of the Board of Managing Directors of the Amsterdam-Rotterdam Bank N.V., as a member of the Board. The Chairman of the Board, Mr. A. Jiskoot, will be estiring from the Supervisory Board this year upon reaching the statutory age limit.

These details are provided in so far as the Annual General Meeting of Shareholders does not wish to make use of its right of recommendation. The General Meeting is also ampowered to submit an objection. Further details on Messrs. Ten Duis, Rauwenhoff, Zimmerman and Hoogendijk are available for iospection at the company offices.

Sapervisory Board

Naarden, 2 April 1990 The Notherlands

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OVERSEAS NEWS

Kohl sees unified Germany in EC Bonn's Chancellor argues for European integration in an interview with FT editors

HANCELLOR Helmut Kohl, who long appeared destined to occupy little more than a footnote in German history, now exudes the relaxed air of a man on the way to taking up a large new chapter by himself. Mr Kohl for years has attracted curiosity rather than

admiration for repeating, some-times tetchily, the far-off goal of a united German "Fatherland". Now, to general surprise (including his own), German reunification is expected to be accomplished at some stage

during the next year or so. Mr Kohl, these days looking satisfied and almost sleek within his massive frame, seems likely to go down in the annals as the politician who not only made unity possible but also presided over it actu-ally happening. That is not the only reason

why, during a two-hour interview at the Financial Times in London on Friday afternoon, Mr Kohl was in a sunny mood. After several hours of meetings with Mrs Margaret Thatcher, including lunch at Downing Street and a dinner with her in Cambridge the night before, the Chancellor managed to patch up his spo-radically rocky relationship with the Prime Minister.
Mr Kohl believes that the

best way of getting on with Mrs Thatcher is to stand up to her. He appears to be succeed-

On the path towards German unity, Mr Kohl put forward during the interview two principal messages, both following closely the policies of Konrad Adenguer, the Federal Republic's first Chancellor, and Lud-wig Erhard, its first Economics

First of all, Mr Kohl says, German unity, can take place only under a "European roof". This is why - in contradiction to Mrs Thatcher - he wants to press ahead with political union in the EC.

In talking about his fellow EC politicians, the Chancellor has some taste for irony and even minicry, as well as Schadenfreude. With an eye on Downing Street, he likes to remind people of his adherence to the aim of European political unity enunciated by Winston Churchill in his celebrated speech in Zurich in brated speech in Zurich in 1946. "I have become a disciple of Churchill," says Mr Kohl. Secondly, he spells out that the way to bring economic recovery to East Germany is to export Erhard's "social market

economy" successfully pio-neered in West Germany after the 1948 currency reform. The Federal Republic is negotiating the introduction east of the Elbe not only of free markets and the D-Mark but also of a modern pensions and unemployment insurance system, to be financed from the Federal Republic during the

start-up years. Once the decisions on bringing in these changes have been made, Mr Kohl declares, per-haps over-optimistically, that 'a great investment boom" will take off in East Germany after this summer.

He admitted that East German decision-making will be handicapped by the lack of experience of the politicians negotiating the formation of a coalition Government after the March 18 elections.

At the helm is his sister party, the East German Christian Democrats, clear victors two weeks ago.
"Next Thursday we will see

the constitution of the Volkskammer (East German parliament) and I hope very much that we will have the Government in the following week." On present calcula-tions, Mr Kohl said he believed that "this year there will be elections for the state (Land) parliaments (in East Germany) and that in the second half of next year we will have elec-tions for a united German par-

West Germany's own federal elections will go ahead, as planned, on December 2. As integration between the two economies picks up steam, Mr Kohl predicted: "After five Republic will be a flourishing land - a motor for the whole of errors

Mr Kohl's ideas for monetary and economic union with East Germany seem to have become more rigorous since the March

ears, the German Democratic

He emphasised that East German pensions and wages will be converted at a less favourable D-Mark rate than the 1-to-1 to be applied to most East German savings.

This may lead to disappointment in East Germany, and accusations of broken promises from the opposition Social Democrats (SPD) at home. Mr Kohl was, however, unrepen-

There is no point being applauded by people for osten-sibly taking a social line, and then facing six months later a catastrophic economic situa-tion. That was the secret of - they got the balance of priorities right."
Mr Kohl expressed some

sympathy for making Berlin the capital of a united Germany, although he admitted that there was some opposition

His long term vision did, however, include a common European central bank, based perhaps in Frankfurt, the seat of the Bundesbank.

The future military status of the territory of East Germany will have to be decided in nego-tiations with the four former war allies during the next few months. But the Chancellor made clear that Germany's adhesion to the western alliance cannot be bargained "There is no price that away. we will pay not to be in Nato,"

"The first important princi-ple is that Germany must not be singled out. . . Singling out Germany means neutralising it. Then you will turn the geo-graphical centre of Europe into a ghetto — a policy which would be catastrophic. So the whole of Germany must be

"Nato is not first of all a military alliance, but a community of people with common values. Only secondarily is it a military alliance - to defend these values. And the people in Leipzig and Rostock want to be part of this community."

Harmonising German and European union is a task of almost Herculean proportions. Mr Kohl said he is well pleased with the date of mid-December for the start of the European Community inter-governmental conference on monetary union. But he underlined that West Germany will be setting some very tough conditions for the move towards a European central bank.
"I said we must work rap-

idly, and seriously (towards monetary union). We are talking about the currency. If you make mistakes, they can-not be so easily repaired." Repeating one of his favourite phrases, he affirms: "That me came along."
Mr Kohl likes to answer could lead to catastrophic questions on nuclear deter-rence by invoking the Weimar

He parries inquiries on the

economic future of East Germany with a tale from Ludwig

many with a tale from Ludwig Erhard. He ascribes what he terms as a "bookkeeping" qual-ity to the SPD's policies on East Germany. "If Erhard had thought like that, then today we would still be buying shoes

One source of East German prosperity will be the motor car – and the growth of small car mechanics businesses.

"I wouldn't know the Ger-

mans if there was not to be

straightaway an enormous car

boom. The Germans have a

tendency towards eating, drinking, cars, and travel as

the priorities. The car is the

status symbol. And when the East Germans have a lot of

cars, then of course they will

incredible push in construc-

tion. They (the East German

Communists) have done noth

ing to repair old buildings and

the new ones are terrible. In

East Germany you have the highest percentage of working women - 90 per cent. So you

have two incomes. And what does the wife say - 'At last, I want a decent bathroom' -

just like in the magazines. And

this will give a unique chance

for the plumbers and handy-

In similar vein, Mr Kohl

explains why he does not want any modernisation of the

Lance short-range nuclear mis-

siles: "The follow-up model has

a certain range. It would hit Prague, where Vacley Havel is

sitting. It would hit Warsaw,

unity by opening the borders.

land on your heads'? They would have said: 'You're

Crazy."
Mr Kohl did, however, agree that if "one side has nuclear weapons, the other side needs

Mr Kohl stresses that the

imperatives for rapid reunifica-

tion are coming squarely from East Germany – above all from the continued flow of

emigrés (even though depar-tures have dropped off sharply since the Christian Democrats'

March 18 win).

"This has been such a dramatic development that one cannot make calculations with

a calendar. Part of the irrita-

tion in the last few months has reflected many people's lack of

understanding for our situa-tion - in London, Paris and

them too.

"Then there will be an

need repairing.

with rationing coupons.

As the principles on which a future European central bank should be anchored, he lists: "First and foremost" priority to monetary stability;
Total independence from

Helmut Kohl: believes the best way of getting on with Mrs Thatcher is to stand up to her

 Sovereignty over monetary Sovereignty over monetary policy questions;
 An obligation towards convergence of economic, particularly budgetary policies, among member states.
 Mr Kohl hinted at scepticism whether all these points will make the points will be appropried of his

meet with the approval of his EC partners.

Declaring "I don't want to slow down the process," he expounded the theme developed at the EC summit in Strasbourg that monetary union should take place in the same "time-frame" as the post-1992 move towards the EC sin-

The European central bank is, however, "the very last question to be dealt with. On this question, we will come to the moment of truth. You cannot have monetary union with-out an adequate budgetary policy in all countries. . . I will be very relaxed at the meeting when all the figures are put on

Mr Kohl's confidence has been boosted by his triumphant appearances in the East German election campaign. Hailed there already as "the Chancellor of Unity", he is a

West Germany.

Mr Kohl spoke in six cities to rapturous audiences totalling more than 1m. For a man who even his most faithful aides admit is a poor public speaker,

this was unforgettable.
The Chancellor's strengths come across best in smaller groups. Mr Kohl has a disarming and effective way - more popular with President Bush than with Mrs Thatcher - of distilling the art of statesman-ship into the recounting of

A historian by training, Mr Kohl himself does not always seem sensitive to the lessons of history – as his clumsiness earlier this year (now-repaired) over the Polish border under-

He is none the less contempthous of those politicians whom he regards as failing to possess a sense of history. Top of the list comes his SPD rival in the West German elections in December, Mr Oskar Lafon-

Noting the Federal Repub-lic's eight years of uninter-rupted economic growth under his stewardship since 1982, the Chancellor even permits himself some light ribaldry at the expense of his SPD predecessor, Mr Helmut Schmidt.

"That was a period when someone considered to he a

someone considered to be a great economic genius was governing the Federal Repub-lic. Then a normal person like out monetary and economic union, then we run the risk that in the summer we will have 500,000 people coming here from the GDR."

Mr Kohl believes that the

eisewhere. . . I don't have any alternative. If we don't carry

new Germany now being reborn will be far more weighted towards the industrial areas of the south and south-west than was the old Prussian-dominated Reich.

Although sounding a warning note over the "catastrophic state of the ecology," he expounded: "If you take Thu-ringia and Saxony, which is where two-thirds of the citizens of the GDR live, that is the home of the German chemical industry, a traditional base for engineering — and you have the people, too. Clever, intelligent, highly skilled and motivated. When you give them money, so that they can buy things, then they will work for that money. Take the most important example — Volkswagen is going to Zwickau. They will invest DM4bn to DM5bn. The people are not going to move away if

VW is coming Mr Kohl affirmed that finan cing reconstruction in East Germany would be carried out not through tax increases but by redeploying spending at the West german federal, state and municipal levels. "We will not increase taxes

This is not a reasonable policy. . We will have to spread our expenditures over a longer period." This would include, he said, cuts in defence spending. "Why don't we say that dur-ing a period of three to five years, East Germany will have iority. We have an enormou budget for road-building and maintenance. Do we need so much - and is the money always spent in an ecologically reasonable way? So if we take this item, and put a part of that into road-building in the

GDR, then it's a good thing." Asked about aid from the European Community, the Chancellor said: "The most important help is to be given various transitional periods (during which East Germany will be exempted from EC reulations in areas like compe tion, food standards and the environment). We don't have our eyes fixed on certain EC funds. There are many worries in Brussels, and among the financially weaker member countries that the Germans will now come and exhaust the structural funds. That is Quatsch (nonsense). We need all the votes we can muster in the EC. We would have to be med to follow a policy where

we would erode support. There is, he said, "no way of transitional arrangements will be. They will vary from case to case. That's why it's important that the process has to be car-ried out in closest possible co-operation with the EC."

Pressed again on the ques-tion of whether nuclear weap-ons will be needed in a future where we have Tadeusz Mazo-wiecki in government. It would be aimed at Budapest. There we have the people who last summer helped us to achieve Germany, the Chancellor dredges up a reminiscence from what he likes to see as his political High Noon. This was And three weeks ago, I was in Rostock (East Germany) — that's also within range. I the massive German controversy over his pushing through the deployment of Fershing and cruise nuclear missiles in spoke to 120,000 people. What would they have said had I told them: 'I'm going to order the nuclear missiles which will.

"I remember how in September 1983 I was flown out by helicopter from the Chancel-lery. Over the weekend there were 350,000 people demon-strating against this deploy-ment. Alone in the helicopter, I said to myself: 'Am I right, and all the others wrong? But of

HOW

course, I was right!"

Buoyed up by consistency rather than magnetism, instinct rather than intellect, solidity rather than rhetoric, the Chancellor now appears, over the Fatherland at least, to have been right all along.

Tomorrow morning he cele-brates his 60th birthday with a ponderous ceremony of speeches and music in Bonn's Beethovenhalle. Naturally, the chamber orchestra will come from Dresden.

David Marsh

## Topsy-turvy time in the two Germanys

FOR connoisseurs of geo-political eccentricities the current transitional phase in the unification of the two Germanys is a gold-mine. Diplomats, lawyers and civil servants are having to abandon their yearning for clarity and certainty and "make a virtue of messiness", as one senior official put it. Here are five exam-ples of the peculiar:

timing of the Soviet withdrawal. More uncertain is what will happen to all the

shiny new Mig 29 fighter aircraft and T72 tanks used by the East German army. The Soviet equipment has been paid for by the East Germans but it is difficult to imagine

it going into service in a joint German

nove to 12 Cavendish Place. London WIM 9DJ with per year to keep the 380,000 Soviet troops in East Germany. The reason is that East Germany has always had to pay for the Soviet troops and West Germany has pledged to take over East Germany's commitments to Moscow. The West Germans are not especially unhappy about this, according to one well-placed source, as it will give them financial leverage over the timing of the Soviet withdrawal More

Arts or Leisure pages please ring either

Jane Emma Peerless - 873 3185

 The citizens of East Berlin now enjoy
 The citizens of East Berlin now enjoy
 The citizens of East Berlin now enjoy
 The citizens of East Berlin now enjoy more democratic - or at least representa-tional rights - than their neighbours in the former beacon of freedom, West Berlin, and will probably continue to do so for another 18 months until the expected united German election. That is because Berlin is officially not part of either West Berlin is officially not part of either West or East Germany but is, ultimately, con-trolled by the four victorious powers of • The Government of a re-united Germany, and perhaps even the West German Government prior to unity, will pay the Soviet Union more than DM1bn (2360m) per year to keep the 380,000 Soviet troops

Although the Soviet Union long ago broke with the spirit of four-power control and allowed East Berlin to become capital and allowed East Berlin to become capital of East Germany, and home of the now democratic Volkskammer (parliament), the three western allies (US, UK, France) have continued to stop direct elections from West Berlin to the Bundestag in Bonn. That, along with restrictions on German-owned airlines flying into Berlin is now being negotiated away. However, in a further twist to the plot, Bonn's ruling Christian Democrats appear to be holding up the negotiations in the hope that a deal will be reached too late to allow West Berlin's Social Democrat majority to vote for the Bundestag in the December West for the Bundestag in the December West

German general election.

• East-West German economic integration is steaming ahead in a legal twilight zone with East Germany's still operative Communist constitution being largely ignored. Nevertheless the CoCom restrictions on export of high-tech goods to the "East bloc" are still being rigorously policed. This anomaly caused particular irritation to Mr Hans-Oif Henkel, head of IBM West Germany, who took a small, high-powered, computer to East Berlin for the election night to help with voting calculations. Mr Henkel wanted to leave the computer behind as a present but was told by West German officials that this was not allowed as it was CoCom-listed.

oy West German officials that this was not allowed as it was CoCom-listed.

The virtually open border between the countries will make it impossible to police CoCom properly. It also requires a harmonised immigration policy. Bonn protested vigorously last week when East Berlin announced it was allowing Turks visa-free entry into East Germany. Bonn fears that tens or even hundreds of these fears that tens or even hundreds of thousands of Turks will enter West Germany illegally and then, because of West Ger-many's liberal asylum laws, will be

### Army fends off protesters in Bucharest

THE Romanian army yesterday used armoured per-sonnel carriers to protect the Government's headquarters in Bucharest's Piata Victoriel as 3,000 protesters outside chanted anti-government slo-gans, writes Owen Bennett Jones in Bucharest.
The demonstration was

organised by the new anti-Communist Union Confederation Fratia. Fratia leaders said they did not want the protest to be overtly political.

Speakers denounced commu-nism but avoided direct criti-cism of the National Salvation front which assumed power after the overthrow of former dictator Nicolae Ceausescu.

The use of armoured personnel carriers reflected concern.

that there could have been a repeat performance of the occupation of the government buildings by a slightly larger crowd on February 18.



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## Iajor takes some minor steps towards Emu

IF THE issue of when sterling will enter the exchange rate echanism of the European Monetary System has become a cat and mouse game within the British cabinet, then the latest signs from this weekend's meeting of EC finance ministers are that the mice are getting bolder.

Partial credit for the Tom and Jerry metaphor must go to Mr Wim Kok, the Dutch Finance Minister, who, after the Saturday meeting here, described his British colleague, Mr John Major, as having taken "mouse steps" towards British involvement in, if not support for, economic and monetary union (Emu). By

EC FOREIGN ministers will

today tackle the politically sen-sitive issue of Community

immigration policy, spurred on by recent national moves to

make the EC more open to travellers from eastern Europe

but less easily accessible from the Mediterranean.

Bonn's partners see little

sense in continuing to require visas of East German citizens

who, by simply crossing an open border, can acquire West German, and thus EC, nation-

ality. But many Community states are rejuctant to follow West Germany which decided

on March 24 to let Hungarians

These countries understand

- which last year gave

that Bonn should want to

repay its political debt to Hun-

in visa-free.

By David Buchan

this, he simply meant that the Chancellor was taking small and silent steps so as not to be left too far behind in the fairly general European rush to Emu. He made no reference to any "cat". Indeed, he may have had no feline creature in mind - but Mr Major seemed to, as he delicately skirted the assorted EMS/Emu mousetraps at a sub-

sequent news conference. Mr Major conceded that his EC colleagues had been right to notice "a change in tone, but not in substance" in the UK position. The Chancellor said the Government remained opposed in principle to a single currency union. But he then rattled off a number of aspects

ally towards Hungary.

Moving in the opposite direc-

Community cloak for the

from North Africa. Italy apparently hopes the odium of such

Little conclusive is expected from today's debate except acknowledgement that the goal

on immigration policy.

EC ministers wrestle with

immigration policy

of Emu to which Britain could agree and not agree, giving the impression that he was thoroughly engaged already in

negotiation. Yes, Britain would want rules in an Emu preventing the Community bailing out improvident states with budget deficits. Suddenly, however, faced with a question about who - EC states or a EuroFed should run the external policy of a European monetary zone, he thought he ought not to answer, lest he be thought to be giving credence to the very concept of Emu.

Mr Major had nothing new to say - he repeatedly stressed - on sterling joining the EMS exchange rate mechanism. The absolute goal was to get the UK inflation rate right down, but the next best thing was to achieve its "proximity" with average EC inflation.

If it was the gap between UK

If it was the gap between UK and Community inflation that mattered, did he expect German unity to push the latter up, and so speed sterling's EMS entry? No, he was not making "an under-the-counter nod and wink" that German inflation was about to rise, and thereby indirectly ease ster-

ling's plight.
What, more than anything, made Mr Major's fellows feel that he is, slowly, trying to bring his country in their

direction on European mone-tary matters came right at the end of the meeting. When the chairman, Mr Albert Reynolds of Ireland, came to sum up the version of the UK position to present to the press Mr Maior present to the press, Mr Major objected that he was being

made out as too anti-Emu.

Mr Reynolds then obtained

Mr Major's blessing for the following: "One delegation, while
indicating a readiness to continue to participate fully in the discussions (on Emu), was unable to join in the totality of the consensus". This classic morsel of Eurospeak could mean many things, but it does not sound like root-end-branch



Boaters on Berlin's Havel river unite the two Germanys. Buoys marking the border were removed yesterday. The German issue is complicating EC immigration policy

## Le Pen focuses his party's view on wider horizons

Japan 000's

France 000's

% Belgium 000's

Netherlands 000's %

italy 000's

By George Graham in Nice

ACROSS the mainstream of French politics, immigration has become the dominant subject for discussion, but the extreme right-wing Front National, which has made immigration its principal theme, spent the weekend trying to look in other directions. In Villepinte, on the out-skirts of Paris, the main RPR and UDF conservative parties

gathered to reassess their immigration policy. They considerably toughened their line, calling for repeal of current nationality laws and, despite opposition from some centrists. withdrawal of certain social security rights from foreigners. In Nice, meanwhile, the Front National sought to build its image as a serious party with other policies besides

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repatriation of immigrants and restoration of the death penalty, in a congress notionally devoted to ecology and social policy. Who can say now that immigration and insecurity are the bread and butter of the Front National?" asked Mr Jean-Marie Le Pen, the leader, after reading out a 15-minute extract from a ten-year-old FN economic policy document.

From black hostesses in the press centre to profuse excuses when an over-enthusiastic guard beat up a reporter from a left-wing magazine, no public relations effort was spared. Even the choice of musical

accompaniment showed a more cosmopolitan outlook. Mr Le Pen has always had incongruous musical taste - he chose the chorus of the children of

1,993 7.7

Oct. 89

Source: (except US, UK, Japan) Eurosia

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

1,965 7.5

6,535 5.3

Israel from Verdi's Nabucco for his presidential campaign theme - but Purcell, Elgar's Land of Hope and Glory and Beethoven's Ninth Symphony seemed odd for such a convinced anti-European. In fact, the Front National militants resembled an experi-

2,661 10.7 3,851 12.4

412.0

enced pantomime audience, ready to hiss villains - Mr Harlem Desir, the anti-racism campaigner, or General Charles de Gaulle – and to cheer heroes, such as Mr Le Pen or Mr Jean-Pierre Stirbois, former FN secretary general killed in a car crash last year. They appeared to identify more closely with the image of underdogs, victims of an establishment conspiracy presented by the new secretary general, Mr Carl Lang, than with the

painted by Mr Bruno Mégret, Mr Le Pen's deputy. But while the rest of France's right wing have to argue over immigration details, for the Front National

portrait of a future government

these things can be left unsaid, at least on the podium. "We will organise the return of the immigrants in the simplest possible fashion. First, we will not renew their residence permits, and then, when they are in a position of illegal immigration, we will expel them," Mr Mégret explained in the corridors of the congress.

## **Parretti** jail terms for fraud

ITALIAN FINANCIER
Giancarlo Parretti, whose
Pathe Communications has bid
\$1.26bn for MGM/UA, the Hollywood film studio, has been
sentenced by a Naples court to
almost four years imprisonment on charges of fraudulent
bankruptcy, writes Haig Simonian in Milan.

The case, involving the collapse in 1981 of Diario, a
Naples newspaper group controlled by Mr Parretti and
other partners, will certainly ITALIAN FINANCIER

other partners, will certainly go to appeal.
According to Mr Fulvio Luci

sano, an associate of Mr Par-retti's and president of the Ital-ian wing of his Pathe Communications company, Mr Parretti is confident about the

case.

"He is convinced that everything will go OK on appeal", said Mr Lucisano.

Mr Parretti, who is free pending an appeal, was given a three year and 10 month sentence against a demand for

tence against a demand for four and a half years by the state prosecution Also convicted by the Naples Criminal Court was Mr Giu-seppe Duraccio, an associate,

seppe Duraccio, an associate, who was sentenced to two years and eight months.

A New York lawyer specialising in takeovers said Mr Parretti's legal entanglements abroad should have no material effect on his bid for MGM/UA as long as he fully disclosed them to shareholders of both his own company.

of both his own company, Pathe Communications, and the target company. Pathe said recently a \$50m payment made to MGM/UA last month under its planned purchase of MGM included \$20m advanced by certain Paths of Flight

Pathe affiliates. Under its proposed acquisi-tion of MGM, Pathe is to make four payments of \$50m each as security to MGM. On March 9,

itmade the first of such pay-

### Journalist held

Sudan has arrested a journalist who works as a part-time cor-respondent for Reuters and the BBC, diplomats said on Sunday, Reuter reports from Cairo. Mr Alfred Taban, a Sudanese, is the third journalist working for foreign media to be held in Sudan without explanation during the past

### Mozambique talks

two months.

Mozambican President Joaquim Chissano said yesterday he was ready to begin direct peace talks immediately with right-wing Renamo rebels, dropping his insistence on a formal ceasefire as a pre-condition, Reuter reports from Lis-

### Nepal dismissals

Nepal's King Birendra yester-day sacked nine government ministers who politicians said had opposed a crackdown on dissent in the kingdom, Reuter reports from Kathmandu. A royal palace communique said Prime Minister Marich Man Singh Shrestha had recommended the changes in the

governing council of ministers.

## Moscow prepares sentenced to the public for big increases in prices

THREE RADICAL alternative versions of price reform in the Soviet Union have been unveiled by the top government official Soviet Union have been unveiled by the top government official responsible, all of which would mean a sharp rise in overall price levels.

The three proposals were spelt out by Mr Vyacheslav Sengachov, the chairman of the State Prices Committee, at a committee meeting in the Soviet porliament in a clear

Soviet parliament, in a clear attempt to prepare public opinion for unpleasant neasures to come.
The most drastic alternative

would require "an immediate transition to a Polish-pattern free market," he said, with increases in both oil and coal prices of three to five times, and a rapid transition to rouble convertibility. Unprofitable enterprises

would close, unemployment would rise sharply, and "it is unclear whether the population of the country would reconcile themselves with such a shock therapy," according to Tass, the official

news agency.

A less radical reform would

allow a 20-30 per cent average price rise for wholesale and price rise for wholesale and retail prices, involving an end to state subsidies, an increase in raw material and fuel prices by 80 per cent, and a 16 per cent increase in light industry and engineering product prices. The rouble would devalue by at least 50 per cent.

Mr Sengachov said that current government price subsidies are running at Rhsi00bm a year - or some 20 per cent of the total value of retail trade.

He suggested that the

preferred version was for a mixture of the first two involving fixed prices for oil, grain, cotton, sugar and other staple commodities, a middle tier of "regulated" prices within upper limits, and between 15 to 30 per cent of

goods at free prices.
However, he admitted that
the final alternative was only
an intermediate stage on the
road to the ultimate aim of a market economy - but one in which "the population's confidence in the Government does not fall so low as to make no reforms possible at all."

## Venice gets help to turn the Expo tide

By John Wyles in Rome

THE CRY might easily have gone out down the narrow streets and waterways of Venice: "The cavalry is com-After months of apparent

political isolation, the European Commission has emerged as La Serenessima's somewhat as La Serenessima's somewhat milkely saviour from the pow-erful forces which have deter-mined that the city should seek to host part of the Expo 2000 world exhibition.

"This is something that mat-ters to the whole world and I am so glad that the European Commission has decided to interest itself in a matter so vital for the future of Venice, Mr Antonio Casellati, the mayor of Venice, told the Financial Times.

The bespectacled Republican's morning coffee and cor-netto had been given added fla-your by the news that Mr Carlo Ripa de Means, the European Commissioner for the Environment, had come out strongly against Venice's involvement in Expo 2000, warning that it could infringe a Community directive regula-ting the environmental impact of public and private projects. At the very least, he said, a study of the environmental impact would need to be made

with the project.

Although the location of the Expo will be decided in June by the 43-nation International Office of Exhibitions, the controversy is exquisitely Italian and now controvers M. Pine Decided. and now confronts Mr Ripa De Meana against his fellow Ital-ian and fellow Socialist,

before any decision to go ahead

Mr Gianni De Michelis. The two most important facts about the formidable Mr Venetian and Italy's Minister of Foreign Affairs, a position not altogether without powers to influence the views of other national capitals:

He is an ardent supporter of Venice's claims to host the Expo which are in competition with those of Hanover and

Mr De Michelis told a public meeting in Venice at the weekend that hosting the Expo would "force us to apply a system for regulating tourist flows which otherwise we shall

Although the Venice city council voted last summer against the Expo and the Ital-ian Government has never taken a formal position on the matter, Mr De Michelle' efforts have been enough to make it seem so, while it was the regional government of the Veneto which busied itself with filling in the application forms.

in addition to Venice, other parts of the Expo would be sited in Padua, Treviso, Verona and Vicenza.

"I am convinced that the Expo would destroy the city's 4 delicate environment and Venice's historic monuments," said Mayor Casellati.

He said he had refrained from taking a position on the issue until the University of Venice had produced a study showing that the daily flows of visitors could oscillate between 200,000 and 400,000.

Venice's city fathers are still wearing hair shirts because of the environmental impact of last year's 200,000 strong gathering in St Mark's Square for an evening concert by the Pink De Michelis are that he is Floyd pop group.

## Progress on European single market gathers pace

## Almost two-thirds of directives are through, writes Lucy Kellaway, but tough issues remain unresolved

INISTERS from Europe's twelve member states will not be flying to Luxembourg The single market council

meeting - where most of the big 1992 decisions are taken has been cancelled. Apparently, there is not enough work to justify the journey. How can this be? Is it the

INISTERS from

final proof that Mr Martin Ban-gemann, the single market Commissioner, is so intent on unifying his homeland that he has let the single market slide? Or does it prove that Ireland, the president of the council for the first half of this year, is not quite up to the job?

There may a grain of truth in both, but the real reason is more straightforward. Most of the simple decisions set out in the 1985 White Paper have been made; from now on the workload of ministers process-ing 1992 measures should start to decline. According to a progress report just prepared by the Commission, 60 per cent of the directives - 158 of the 279 total - are through.

In its report, the Commission awards itself particularly high marks for its punctuality and efficiency: as of this month, proposals on every one of the White Paper measures will have been drawn up and put to the council.

Once with ministers, directives are being pushed through faster than ever before, thanks to the Single European Act, which extended majority voting. The first directive on securities took nine years to adopt: a more recent one just two.
Progress on removing techni-

cal barriers to trade has been particularly good: some 80 per cent of all the worthy mea-sures setting standards, harmonising, and agreeing on product testing, have been agreed. In many important areas – from banking to fertil-isers – the EC machinery for a single market exists already.

However, none of this means that the famous space without frontiers will come into being on December 31, 1992. Despite its optimistic tone, the Com-mission's report sounds various ominous notes. Only 40 per cent of decisions may remain, but among these lurk some of the most difficult ones. In the areas which still need everyone's agreement, almost no progress has been made. Of the 139 measures waiting

to be agreed, 23 per cent require unanimity, most of these being tax matters, on which the lack of progress is endemic. Successive measures on VAT, on direct company taxes, and on customs duties are all stuck.

As the 1992 deadline draws closer, new problems are emerging. The first is the European Parliament. For the first time the Parliament is becoming a threat to 1992, and the interminable slowness with which it is providing an opinion on some directives is becoming a nuisance. Opinions are divided as to the reason for this. Some say the Parliament is wanting to make its presence felt at a time when it is campaigning for more power. Others argue it is deliberately stalling in protest at the way in which the famous "social Europe" - of which the Parliament was the greatest cham-

pion - has been cast aside.

More likely, though, the
delay is a matter of over-work and bottlenecks in particular committees. Parliament has never had so much on its plate and in some committees prog-ress is slowing to a standstill. In areas such as insurance, telecommunications terminals and animal medicines, little further progress can be made



until Parliament hurries up. A second problem is enforce-ment: the willingness of ministers to agree directives is not matched by their readiness to translate them into their national laws. The Commission first became aware of the seriousness of the problem at the end of last year - when there seemed a danger that 1992 might consist of a comprehensive system of Euro-directives cheerfully ignored by most member states. Since then the Commission has started playing the part of policeman. This slowly seems to be having results. By the end of February 20 per cent of implementations. 30 per cent of implementations had not been carried out by the specified deadline, an improvement of 3 percentage points since December. Then a mere seven of the directives had been passed into the law of all 12 countries, now the tally is

three times as high.

The UK is making much of the fact that it has now emerged as the country with the best record in the number of directives adopted, narrowly overtaking Denmark. The UK has failed to implement just nine of the directives, compared to 51 for Italy. It is the only country, for example, in which it is safe to eat jam the UK alone has taken a 1988 directive on the contents of jam seriously enough to transpose it on to its own law books.

To keep the pressure up, humiliating kiss-and-tell ses-sions have been started at ministerial meetings. Countries like Spain, Portugal, Belgium and Italy are getting tired of listening to Mr John Redwood, Britain's junior Industry Minister, explain that the UK is a good European, with the implication that they are not. At the last such confessional session, held in the imposing surrounds of Dromoland castle in Ireland, of Dromoland castle in Ireland, an apologetic Belgium explained that it had now set up special legal teams to help transcribe its laws. Italy, meanwhile, is holding up high hopes that its "La Pergola" draft law, which is designed to cut through its legislative red tape, will help shift the backlog.

log.

However much progress is made by member states in changing their laws, 1992 is never going to happen unless they are really prepared to open their frontiers on January 1, 1993. On this score, Commission officials are becoming increasingly worried, noting a increasingly worried, noting a complete lack of progress recently. Member states may believe in the 1992 game plan

enough to vote through direc-tives that will allow tractors to pass freely across frontiers, but have far from committed them-selves to abolishing the frontiers themselves.

There are two kinds of for-malities that need to go: controls on goods, and checks on travellers. In the first area, good work has been done on checking cars, pet poodles, spi-der plants and all the other things normally dealt with at the border. However, borders cannot come down until fur-ther progress has been made on VAT and customs duties. The prospect of getting rid of checks on people is even further off. The Commission,

which has left his area entirely to governments to sort out, is gravely worried about the feeble advances being made. According to one senior Commission official, the political will is simply not there. The northern countries, he says, do not trust the southern ones when it comes to immigration, and it is hard to see them changing their minds easily. The problem of east Europe further aggravates matters—with the fear of borders open to the east, there is little hope of western European governments. which has left his area entirely of western European govern-ments wanting to tear down their own barriers when the barriers around the outside are

not sufficiently high.

In making an overall assessment of how well the single market is going, there is a danger of using the White Paper as the only measuring stick. Some of the most difficult parts of plan emergy for extends plan - energy for example -were left out altogether, and in these any notion of a real single market looks as far away as

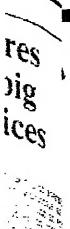
sures needed to turn 12 mar-kets into one have changed considerably since the White Paper was drawn up five years ago. All kinds of new proposals in important areas like public procurement and insurance have come up that are not part of the 279 directives. The Commission has spotted at least 20 new harmonising measures that are needed, mainly in chemicals and telecommunications, and expects that plenty of others will also come to

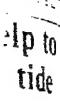
light.
When it comes to these new directives, signs of the Commission's wandering attention. are starting to show. A new bundle of measures on removing barriers to takeovers another area not properly dealt with in the White Paper - was promised to be put to member states by Mr Hangemann by March at the latest. It is now April and the takeovers measures seem still to be grinding their way slowly through the Commission, understandably not on the top of anyone's pri-

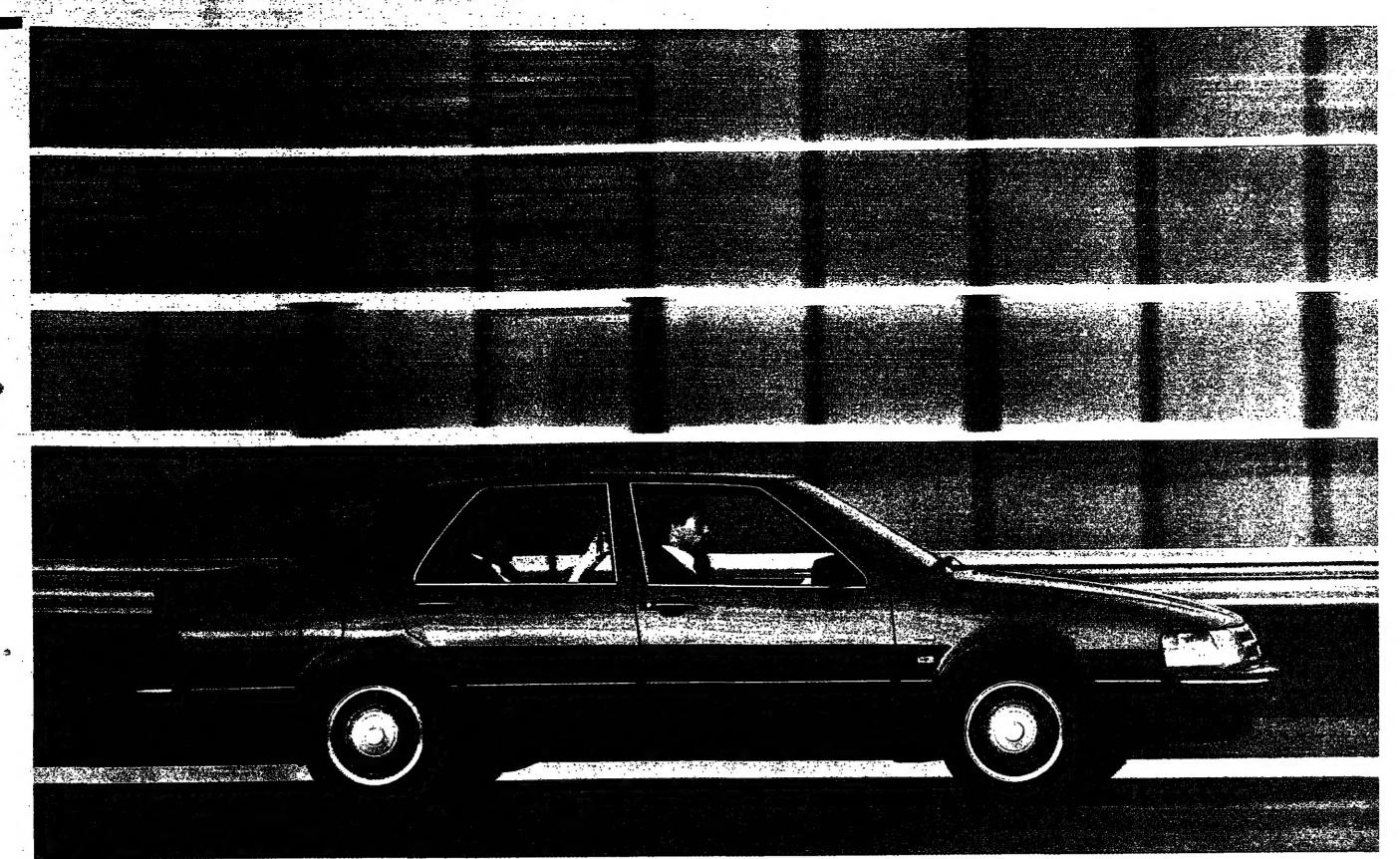
ority list.
On Saturday there will be
1,000 days left before the 12
European markets are meant
to slide into one. After a slow start, everyone has made an effort to catch up and now seem to be on coarse. What the final picture wiff look like is not clear, and the completion of the single market may involve something rather broader and shallower than that described in the White Paper. The destination is uncertain, but one thing is fairly clear, the going is not going to get any easier from

Person to contact: Mr. Hou Zhenxiang. Mr. Ren Zhixian and Mr. Ren Bing Tel: 8315537, 8316306 Telex: 222732 CHEMI CN Fax: 8316022









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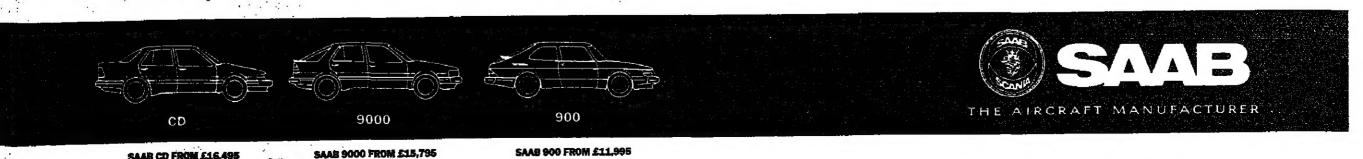
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### **UK NEWS**

## Mature apprentices to fill gap left by dearth of school leavers Peugeot Talbot tackles skill shortages

### By Michael Smith

mileage to PEUGEOT TALBOT, the vehicle manufacturer, is taking cyclists

EMPLOYEES OF Sutton Council in London are being paid the same mileage allow-ance for using their bikes as they would be for their cars as part of a drive to reduce pollu-

**Employer** 

pays car

By Emma Tucker

tion in the borough.

The policy, introduced last The policy, introduced last month, applies to any employee who uses a bicycle for council business. The council is also setting up a bicycle pool which all employees will be able to use.

The move is cited today in the magazine Personnel Man-

the majazine Personnel Man-agement as one of a series of examples of "green policies" that are likely to improve the reputation of potential

employers. Increasing numbers of companies are introducing healthy options in the canteen, no-smoking policies, and checks to eliminate the so-called sick huilding syndrome in the hope that employees will be attracted and motivated.

Probably the most common green move among companies is the conversion of company cars to run on lead free petrol. British Telecom, which is converting its entire vehicle fleet by next year, says the issue is of great importance to its

Body Shop, the retailer, has already converted all its company cars to run on lead free petrol. It is soon to introduce company bicycles as a service related benefit.

Other converts to the cycle cause include Oxford Council. It has introduced bicycles for staff use from the office to locations within the city. Cars are only issued to staff for essential uses like transport-

ing heavy equipment.

• A largely voluntary policy of non-smoking at work has been introduced by British Airways as a result of a review by a human resources team. It concluded that no smoking within the workplace should become the norm. While respect the wishes of non-smokers the management will be expected to resolve disagreements. Mr Robert Ayling, Director of Human Resources, said: "Cigarette smoking is becoming a minority habit."

year-olds. British Telecom, one of the few companies to consider widening the recruitment net, is expected soon to launch

on people aged 25 and older as "mature apprentices" in an effort to tackle growing skill people aged up to 41.

Peugeot's programme, reported by Incomes Data Services, the pay research organisation, does not stipulate an The initiative is likely to attract the attention of other employers, already paying a price for a decline in the numsation, does not supurate an upper age limit. However in the first intake, which started in January, none of the six successful candidates were older ber of UK apprenticeships dur-ing the 1980s. They fear their problems will grow this decade as the number of school leav-

as the humber of school leav-ers declines.

Although employers are boosting their apprenticeship schemes, virtually all confine Peugeot says it has no prob-ems recruiting the 20 school-leavers' apprentices it takes on each year. However it their recruitment to 16- to 19-

fears difficulties may grow as the dearth in 16 to 19-year olds

The company has been impressed with the progress of the first six mature apprentices, who were chosen from 130 internal applicants. It is considering expanding the

The mature entrants' scheme lasts four three years, one year less than that for school-leavers, and is aimed at electrical craft work, where skills shortages are most acute, rather than mechanical craft

The mature apprentices

spend the first 40 weeks of their trainingst a local collage. This is followed by on the job tuition at the Ryton plant accompanied by day release courses for a city and guilds electrical craft certificate.

While undergoing their training the trainees retain their previous Job pay rates, averaging at £200 a week. Once qualified they could increase their earnings by 50 per cent.

Report 566, Incomes Data Services, available by subscription from 193 St John Street, London ECIV 4LS.

## Employers' organisation survey of industrial trends

## Companies face weaker demand and rising costs

By Peter Norman, Economics Correspondent

WEAKER demand and rising costs are increasing the financial pressure on companies and causing many to review their investment plans, the Confediment and exports, between the causing many to review their investment plans, the Confed-eration of British Industry, the employers' organisation, said

in its latest industrial trends inquiry, the CBI found that UK manufacturers' total order books are now at their lowest level since October 1986, despite strong export demand. The CBI is now forecasting

that manufacturing investment will fall this year by 0.9 per cent after growth of 8.7 per cent in 1989 and 11.8 per cent in 1988. In its last economic forecast of November, the CBI said that investment would be

end of February and March 21. It found that:

 Manufacturers expect hardly any increase in output over the next four months. Their stocks of finished goods are more than adequate to meet demand.

• And that the number of firms expecting to increase their factory gate prices over the next four months was the lowest since March 1986.

One bright spot in the survey was a strengthening of export order books. Some 27 per cent of companies now say Background: Page 9

that they are above normal compared with 23 per cent reporting below normal export orders, the highest export result since July 1988.

Mr David Wiggleworth, chairman of the CRI's account.

chairman of the CBI's economic situation committee, said the further weakening of total order books showed that the economy was now "deli-catly balanced."

He added: "The financial pressures on companies created by this weakening demand, coupled with upward pressures on costs, are already considerable and are causing many companies to review their investment plans."

Green groups and agrochemical industry call for tripling of resources

## Government set to announce new safety code on pesticides

By Bridget Bloom, Agriculture Correspondent

THE BRITISH Government is expected to announce sweeping new measures today to meet criticisms of its safety and review procedures for pesticides. The measures are in

response to an unprecedented alliance between the agrochemical industry and environ-mental groups, which last August called for a tripling of Government resources on pes-ticide approvals, as well as stepped-up on-farm inspections of pesticide use and more rigorous monitoring of incidents of pesticide misuse.

The alliance included the British Agrochem-ical Association and Friends of the Earth - particularly high-lighted the long delays in gov-eroment approvals for new pesticides that have followed the replacement in 1986 of voluntary approval by a statutory

At present, delays can be as long as 41/2 years against two years in Germany and just 10 months in France.

While no precise figures were available last night, it is understood that Mr John Gummer, the Minister of Agricul-ture, will today announce a doubling in the present 58 staff employed at the ministry's Data Evaluation Unit at Harpenden, Herts, and an increase in the number of on-farm inspectors from the present

Mr Gummer is also believed to have agreed to contract out work on new pesticide approv-als to universities with the relevant experience in an effort to reduce the backlog, currently the longest in the EC. In recent months, the agro-

chemical industry, concerned at the loss of consumer confidence in pesticides, has offered to pay for improvements in the system. Mr Gummer is expected to take the companies at their word and increase evaluation and licensing fees.

It is not clear whether the new measures will be able to reduce the backlog in approvals to the best practice within the European Community.

Parallel with British moves to tighten up pesticide safety is a proposal from the EC Comission to do so on a Commu

Neither is it clear whether the Government intends to increase resources for its programme to review all older pes ticides, which, environmental groups maintain, includes at east 100 compounds and could take 20-30 years to complete.

## **Options** open for a spring election

By Alison Smith

THE core of the Government's legislation for the next parliamentary session starting in November, has been agreed by the Cabinet to leave options open for an election next

spring.
At its meeting last Thursday, the Cabinet decided on a programme smaller than the present session's and dominated by bills which are not highly contentious in party political terms. It was drawn up by a Cabinet committee chaired by Sir Geoffrey Howe, the Deputy Prime Minister.

The intention is that if there is an early election, the opposi-tion might allow some of the legislation to go through easily, but if the session ran its full length it would still be a reasonable parliamentary

workload. This traditional pattern for the fourth term of a parliament means that the three most extensive pieces of legislation will be a criminal justice bill, a review of road traffic law, and

a major planning bill. More contentious will be the bill to facilitiate private fund-ing of roads, which was rejected for inclusion in the current parliamentary session. Other measures will include

legislation from the department of trade and industry to enable retailers to discriminate between cash and credit cards as methods of payment, and the department of social security plans for bringing greater choice into the arrangements for civil marriages.
But ministers have not ruled

out the need for legislation to change the financing arrange ments for the Channel tunnel, and believe that if it were needed then one of the major bills currently pencilled in would have to be excluded. Party business managers are

determined to avoid late draftied Government amendments to bills, which have been the subject of complaint from Tory

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### THE GOVERNMENT has intervened to help to break deadlock between dairy farmers and processors over the future of their industry after the single European market in

The Ministry of Agriculture is canvassing a possible solu-tion, with the Milk Marketing Boards voluntarily relinquishing their 57-year-old monopoly of the buying and selling of all milk from the 44,000 dairy

In return, the farmers' organisations would be allowed to remain the biggest single operators in the UK dairy products market, in particular through ownership of Dairy Crest, the dairy and processing

company.

The legal and other implications of such ideas were outlined in a paper sent to both sides last month by Mr David Curry, the junior Minister of Agriculture. The proposal would dissolve the controversial price-fixing arrangements between the boards and the Dairy Trade Federation, repre-

senting processors. Those arrangements have been at the heart of cartel charges against the dairy.

They have, critics maintain, led to inefficiency in supply,



John Gummer: led attack on the dairy industry monopoly

have stifled innovation, and will seriously undermine the industry's competitive position within the EC after 1993.

Ministers act on deadlock

over dairy farming future

Imported yoghurt and soft cheeses, for example, have already made substantial inroads on the UK market. The system's abolition, the critics say, might result in bet-

ter returns for farmers while giving consumers wider choice and lower prices. Mr John Gummer, the Minister of Agriculture, has led the attack on the monopoly system but has hitherto insisted that

the Dairy Trade Federation

and the milk boards should try to agree on how to end it. A six-month deadlock in negotiations has provoked the new move, which the Govern-ment insists must still be the

subject of agreement between the two sides.

The proposals pose difficul-ties. Farmers are deeply attached to the boards, formed to protect their forebears from powerful dairy companies. While farmers production is now protected by EC milk quotas, it may not be easy for offi-class to persuade them to move

## Call for free | Safeway links to European buyer group

## eye tests to be restored for elderly

THE BRITISH College of Optometrists has claimed that 60,000 cases of potentially blinding conditions may have escaped being referred to doc-tors as a result of the Government's abolition of free eye

tests, writes John Authers. The Association of Opteme trists, meanwhile, said 3.75m fewer patients received eye checks last year. Both bodies called for free tests to be reinstated for the elderly.

Mr Tom Collingridge, general secretary of the BCO, said that eye diseases needing medical attention were revealed by ical attention were revealed by about 10 per cent of tests.

Assuming that demand for tests will improve slightly to a level 20 per cent lower than in 1988, he predicted 60,600 cases would be missed, including around 20,000 cases of both cataracts and glaucoma, 10,000 cases of diabetes, and 7,250 cases of macular degeneration.

He added that more than He added that more than

half of all patients with these conditions are over 60. According to surveys by the Beonomists Advisory Group, independent practices have seen a 22 per cent drop in patients. Large companies have reported a 36 per cent downturn, pointing to a total decline of around 30 per cent.

## By Maggle Urry

SAFEWAY'S UK food stores and supermarket chains from eight other European countries have set up a buying group, Associated Marketing Services, to pool resources and buying power with the alm of increas-ing efficiency and reducing

The move is part of the response by food retailers to the increasing concentration in the food manufacturing sector in the run-up to the completion of the single European market after 1992.

The group is discussing co-operation on products such as alcoholic beverages, fruit and vegetables, pasta and pet foods. Together the nine groups have a turnover of

£27bn through 11,000 stores, and control 11 per cent of the food market in the countries where they operate. Eventually signficant savings could be

Mr Alistair Grant, chairman of Argyll, which owns Safeway, said the partners would discuss a common "own-label" brand and might buy jointly

some products such as wine. Other UK food retailers are also looking carefully at how to tackle the European market. AMS is today launching a brochure which is being sent to 3,000 food manufacturers in Europe. The purpose is to "identify opportunities to improve the efficiency of the supply chain, to reduce the cost of goods and services, and to share in the benefits from this co-operation. It lists 14 areas of possible

co-operation. For instance, if the supermarket groups can agree on recipes for prepared foods, suppliers will be able to improve manufacturing efficiency. Agreement between retailers on ingredients could also reduce duplicated effort on testing. Products stocked in one country could be introduced to others, and distribution co-ordinated to save trans-

port costs. AMS is the next step from the formation of the European Retail Alliance, set up last year by Argyll, Casino, a leading French supermarket chain, and

Ahold, the largest Dutch food retailer. ERA owns 60 per cent of AMS and the ERA members have swapped shares in each other.

The other six members of

AMS are Dansk Supermarked of Denmark, ICA of Sweden. Kesko of Finland, La Rinascente of Italy, Mercadona of Spain and Migros of Switzerland. The nine will share the benefits of AMS membership in proportion to the amount they buy through it. Mr Grant said the group was still looking for a partner in West Germany. Last year Asko, the West Ger-man food retailer, had tried to join ERA but had been rejected when it secretly bought a 14 per cent stake in Ahold.

## MoD to play down hope of arms spending cut

THE MINISTRY of Defence is expected, in its annual white paper today ,to discourage expectations of an immediate peace dividend for the UK as a result of the collapse of com-munism in Eastern Europe and changes in the Soviet Union. Publication of the Statement

on Defence Estimates, which usually includes wide-ranging assessments of security risks, has been brought forward by month this year - possibly because some of its tenets are already under review.

Studies on the future options for Britain's armed forces are being carried out within the Ministry. Talks are also taking place at Cabinet committee

However, the Government has been at pains to differenti-ate this reconsideration from previous cost-cutting defence reviews. The last fully fledged defence review was in 1981. This month's Lloyds Bank

economic bulletin predicts that the Treasury will later this year try to reduce the MoD

programme in view of urgent claims by other departments, notably health and education. About £1bn could be cut from the defence budget in each of the next two years if it

with the plans of the US and other countries, it says. Under its current three-year plan, the MoD's budget is set to rise from £21.2 bn in 1990-91 to £22.4bn in 1991-92 and £23.4bn in 1992-93.

were to be reduced in parallel

The Ministry wants to ensure that at least part of any savings made from future reductions in British forces, particularly the army, are channelled into improving their equipment.
The Lloyds Bank report says

the UK economy could reap "important benefits" if Britain's £4.3bn a year commitment to maintain forces in West Germany were phased

The slowdown in the arms race also means that the existing stock of weapons could be made to last longer, it says.

	1989 1990	1991
GDP (output)	24 1,1	1.5
of which manufacturing	4.8 0.6	2.2
Fixed Investment	5.5 -1.3	1.5
of which manufacturing	8.7 - 0.9	0.9
Inflation (annual average RPI)	7.8 8.2	- 5.2
Exports: goods, services	5.6 7.5	3.8
Imports: goods, services	8.1 1.4	. 4.1
Current account (Sbn)	-20.4 -14.8	-16.1
Stockbuilding (£bn)	4.0 -2.0	. 0.0

## CBI sees poor outlook for the home market

By Peter Norman, Economics Correspondent

THE CONFEDERATION of British Industry today warns that 1990 will be a disappoint ing year for companies that depend on the home market

but a good one for exporters. The CBI's post-Budget eco-nomic forecasts show that the British economy is expected to grow by only 1.1 per cent this year, compared with 2.4 per cent last year and 4.5 per cent

However, if interest rates fall, output growth is forecast to pick up slightly to 1.5 per cent in 1991. The CBI also expects that bank base rates will average 13 per cent next year after dropping to 14 per cent, from the current 15 per of this year. It expects 12 per cent base rates by the end of

The CBI also expects next year's Budget to include a 1p cut in the standard rate of income tax to 24p in the pound. That should help the growth in consumers' expenditure to revive to 2 per cent next year

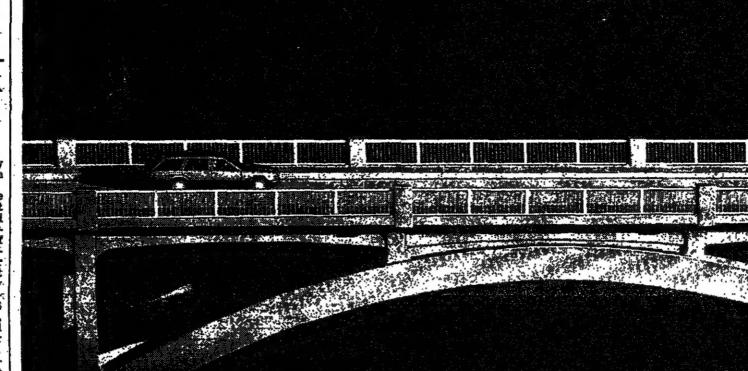
from 1.3 per cent this year. it forecasts that total fixed investment will fall 1.3 per cent in 1990, with manufacturing investment declining by 0.9 per

cent this year. It previously forecast that investment in 1990 would be flat.

The CBI says that average earnings growth and unit labour cost increases should peak around the second quar-ter of this year. By the end of 1991, manuscturing productivity should be rising by 5 per cent a year against 2 per cent at present, while productivity in the whele economy is forecast to grow by an annual 1.5 per cent by the end of 1991, compared with an estimated

0.5 per cent year-on-year decline in the current quarter. It expects that the currentaccount deficit will widen to £16.1bn in 1991 after falling to year's £20.4bn. It says that will be because of an anticipated stronger expansion of home demand and a slackening of

world trade. In 1991. UK imports of goods and services are expected to and services are expected to grow by 4.1 per cent, slightly faster than export growth of 3.8 per cent. This year, however, the CBI expects to see growth of 7.5 per cent in British exports of goods and services compared with import growth of only 1.4 per cent



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125113	Bardos Groso (SE)	159	3	4.3	2.7	15.4
18700	Bardon Groso Cr. Pref. (SE)	109mg	-2	6.7	6.1	:
4839	Bray Technologies	80	. 0	5.9	7.4	7.1
1001	Beenhill Conv Pref	88		11.0	12.5	
1189	CCL Gross Ordinary	313	-3	14.7	4.7	3.9
2088	CCL Group 11% Comy Pref	367		-14.7	8.8	-
16740	Carbo Pic GD	210ml	-5	7.6	3.6	124
770	Carto 7.5% Pref (SD	110	0	10.3	9.4	-
	Magnet Go Non Voting A Cm	0.125	0	-		-
	Magnet Go Non Voting 8 Cor	0.125	. 0	-	•	-
7328	Isis Group	92	. 0	5.0	8.7	5.3
23403	Jackson Group (SE)	109	+1	3.6	.3.3	12,7
19494	Multibouse N V. (Ama.SE)	250	-2	-	-	
1438	Robert Jeckhis	241	+2	10.0	7.1	5.1
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MERCEDES-BENZ TOURING GUARANTEE Jimmy Burns and Emma Tucker analyse events in a day of violence

HE DAY after the worst riots seen in London for a decade, the normal complement of two policemen was on duty at the gates to Downing Street yesterday. In nearby Trafalgar Square, the tourists almost outnumbered the pigeons, and on the corner of the Strand, just opposite trade was under way in toy police hats and postcards of

It would have seemed a spring Sunday much like any other were it not for the more unusual souvenirs of the may-hem that marked Saturday night's demonstration against the community charge, or poli tax, littering the West End as far south as Whitehall and as far north as Portland Place. Nearby streets including St Martin's Lane, Charing Cross Road and Regent Street looked as if they had been ravaged by a ferocious storm, or a number of car bombs. The remnants of the riot included about 250 looted shops with shattered windows (most of them boarded up by yesterday after-noon); several charred and damaged vehicles, including those attacked in Renault's central London showroom; a partly burnt-out building site; and twisted traffic lights. The changing of the Horse

Guard sentries on Whitehall

took place on schedule but,

ing of one of London's most

"due to damage."
Among the many shops damaged on Saturday night was the Hollywood Food and Wine supermarket on Charing Cross Road. Its manager, Meench Patel, yesterday estimated at about £5,000 the damage caused to his shop windows

Debris and defiance: a police van blocks a street littered with rubble used by protesters as weapons in the riot

treasured buildings, the Ban-queting House, designed by Inigo Jones in 1619, was closed

and the plundering of goods.

"It was just after 6pm when the crowds started coming up from Trafalgar Square," he said. "One of my employees closed the door but then the windows smashed and about 50 pacepies come in They took bot. people came in. They took bot-tles of spirits, cigarettes, films. I've never seen anything like it, they were like animals." A few blocks down the road, Mr Joe Macaris, the owner of

Macaris, a musical instrument shop, for 35 years, said: "Tm a bit stunned. It's taken me a lifetime to build up a business and it's taken only one night to

wreck it."

Both his shops, 50 yards apart, had been wrecked. Saxophones, clarinets and imported US guitars were stolen, with an estimated value of £10,000. Most shopkeepers were hop-ing to open for business as usual today. But insurance claims will be considerable. Many shookeepers said yes-terday they had little choice but to invest in reinforced steel window shutters to protect their stock. There was also a call for greater police protection - armed, if necessary.

Even so, such views -although shared by some police officers and not incon-siderable sectors of public opinion – understate the com-plexity of the events that

Senior police chiefs and the organisers of yesterday's anti-poli tax demonstration, the All Britain Anti-Poll Tax Federa-tion, are agreed that only a small minority of an estimated 100,000 people at the rally were involved in the rioting.

The main point of disagreement is what happened once the riot started. The police say there was a ferrocious and such

there was a ferocious and sus-tained attack by anarchists and members of hard-left groups on officers who were initially unprotected and who were subsequently backed up by a small number of mounted officers and other officers equipped with protective cloth-

ing.
Mr Tommy Sheridan, who
chairs the All Britain Anti-Poll Tax Federation, condemned the civilian violence of "Thatcher's children" – young people on the margins of society, venting their anger after 11 years of social deprivation – but accused the police of overreaction

overreaction.
"It was like using a water cannon to extinguish a match," he said yesterday, claiming that less aggressive police tactics had ensured a peaceful. demonstration on the same day in Glasgow.

While the riots will undoubtedly revive the debate over the nature of public order and poliNEWS IN BRIEF

FINANCIAL TIMES MONDAY APRIL 2 1990

### **Industrial** park plan at Silverstone

SILVERSTONE CIRCUITS, the company that controls the 720acre Buckinghamshire motor racing complex often used for the British Grand Prix, plans to expand an industrial park

on the site.

New industrial units, to be added to 47 existing ones, will be aimed at "building up Silverstone as a hub for the British were industrial" which even ish motor industry," chief exec-utive Mr Tom Walkinshaw,

The precise size of the expanded industrial park is yet to be finalised with Buckinghamshire planning officials, but is expected to be substan-tial Later, the circuit's management is understood to be examining more diverse devel-opment possibilities linked to its motor industry and sport roles.

### Computer agency head to be named

THE Government is expected today to name a new director for the Central Computer and Telecommunications Agency (CCTA), the organisation promoting effective use of information technology in government departments.

The former director, Mr Alan

The former director, Mr Alan Healey, resigned unexpectedly in February after being appointed chief executive of Cheshire County Council. His move, after only 11 months in the office, fuelled speculation that there had been disagreements between Mr Healey and the Government over the

future of the agency.

Last month, however, it was announced that Mr Healey was being investigated by the police for alleged expenses irregularities. He is now on police ball and is expected to face charges at Horseferry Road Magistrates Court on the 12th of this month.

During his period at the CCTA, Mr Healey had been working on a review of the agency and its role in Government computing. There are indications his report may be published this week.

A basic element of Mr Healey's strategy for the agency would be that it could expect to charge for its services, recovering its costs from its customers in Government.

### CTCs criticised

CFTY TECHNOLOGY colleges have failed to raise alguificant funds from industry, a report by the trade union-backed Labour Research magazine

Labour Research magazine shows today.

Only three CTCs have been opened, against a target of 20 by the end of last year. A further 12 are due to open in England by the end of next year, with the first Scottish CTC starting in 1992 Labour Research said: "They have proved difficult to sell to business as a worthwhile threat for ness as a worthwhile target for

sponsorship."

Foods perform well ALBERT FISHER Group and Hazlewood Foods, two acquisitive fresh produce suppliers and food processors, generated the highest total return to shareholders of any UK food companies in the 1960s, accord-ing to the Grocer. OC&C Corporate Index published today. In Fisher's case, £100 invested in 1980, with dividends re-invested, would have been worth £11,079 by 1989, an

Sonar sale objection

Dowty, which does not com-pete directly with Ferranti's sonar business but gets 37 per cent of its sales from defence-related activities, has told the Government that the sale might harm normal competi-tion in the UK defence sector.

## Testing times for the true blue believers as a vision loses its appeal seems intent on drawing out com-parisons between Mr Kinnock's

THE RECEPTION for Mrs Margaret Thatcher was appropriately rapturous. The Conservative Party activists gathered in Cheltenham at the weekend seemed determined to demonstrate that they were made of sterner stuff than the backbench Tory MPs teetering on the edge of panic as Labour stretches its lead in the

The Prime Minister's deft blend of firmness and humour in dismissing any suggestion that she might soon retire to Dulwich cheered the true believers. The understanding tone of much of her speech offered reassurance to the waverers.

However, behind the standing ovation that greeted Mrs Thatcher's speech, there were clear signs that her party faithful are becoming rattled. The constituency workers and party agents at Cheltenham were Philip Stephens on policy presentation that is rattling the Tory Party faithful

not ready to challenge the Govern-ment's basic policies. But the activ-ists were far less reticent on the subject of the presentation of those

The recurring theme was that the Government was failing to anticipate trouble, failing to be flexible enough when it arose and, in the process, failing to get its message

across to the voters.

Mrs Thatcher's speech mirrored some of the concerns. There were no apologies, but equally there was less of the triumphalism that has characterised her approach on similar occasions in the past. Ministers, she insisted, would meet their pleage to

review the operation of the poll tax and make the adjustments needed. More broadly, there was a direct appeal to the group of voters who have guaranteed Mrs Thatcher her 11 years in office - the affluent working class. It is people in that group who have been worst affected by the combination of 15.5 per cent mortgage rates and the introduction

of the poll tax. They are the voters who deserted in droves to Labour in the mid-Staffordshire by-election. It was to those - the couples who have bought their council houses, who have made a tidy profit from privatisation issues, who have benefited from strong rises in earnings -

that Mrs Thatcher addressed the reassurance: "Of course I understand your worries. They are part of the fabric of my life too."

They were the audience for a vision of the future offering more home ownership, better schools, wider share ownership, and the chance to save for a rainy day. Neither Mrs Thatcher nor her ministers, however, are confident that

such voters will be brought back into the fold by reassurances that the Prime Minister is "one of them." Mr Kenneth Baker, the party chairman, has put the emphasis on recalling the bad old days under Labour in the 1970s - the strikes, state controls, the runaway inflation and punitive taxation that gave Mrs Thatcher such an effective platform

The Prime Minister, meanwhile,

parisons between Mr Aimock's socialist agenda and the shackles from which the peoples of Eastern Europe are freeing themselves.

A telling passage in a speech by Mr Chris Patten, the Environment Secretary, underlined the view of some of the various of the vario

some of the younger generation of Cabinet ministers that the Government cannot recover either by simply offering more of the same or by tarring Mr Kinnock with an extrem-ist brush. Mr Patten's message that "we

won't win the 1990s by talking about the 1970s," marks a shift in emphasis towards a more responsive strategy - a shift further signalled by measures to help the less well off in Mr John Major's first Budget.

The Government's difficulties, however, are more immediate than

that. The violent demonstrations in London over the weekend will offer the Government only a short breathing space respite from the political backtash against the poll tax. There will be no early respite from

ropolitan Police Commissioner, will be unlikely to see better equipment of officers and

increased riot squads as the

Police tactics undoubtedly hardened in the wake of the inner-city riots of the early

1980s and the miners' dispute, but the emphasis has been away from confrontation and

towards community policing.

The images of unarmed constables being kicked on the ground, and police cars being smashed by staves and bricks may have reinforced the view of a police force both ill prepared and innocently victimised in the face of a unruly mob.

But the post mortem must

include suggestions that some of the damage and injuries

may have been prevented with

a better police organisation that night not have necessar-ily relied on the use of riot squads and charges by mounted police.

The All-Britain Anti-Poll Tax

Federation said yesterday it planned to stage further anti-poll tax demonstrations and to

organise a defence of individu-

als who risk court action by bailiffs for not paying the tax.

What no one appeared to be able to guarantee yesterday was that a riot similar to Sat-

urday's would not be repeated. Anthony Harris, Page 25

solution.

high mortgage rates. The local elections in May se set to further enhance Labour's credibility as an alternative government Planned legislation to provide full citizenship for 50,000 key workers in

Hong Kong threatens a new internal split within the Tory party. Mr Norman Tebbit's decision to announce himself as a contender in any leadership contest has strengthened the expectation at Westminster that, whatever Mrs Thatcher says, such a battle looks increasingly

The real spirit of the party activ-

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he change relates to article 15: Duration of the Fund. Liquidation

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The Fund is established for an unlimited period, however, it may be dissolved at any time by mutual agreement of the Management Company and the Cushodian, subject to three months prior notice. Such notice will be published in the Memorial, Recueil Special des Sociétés et Associations of Lurembourg and in at least three Lurembourg and foreign newspapers with appropriete distribution to be determined jointly by the

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## Thatcher is least active Prime Minister, study says

MRS THATCHER is the least prime ministers in the Comactive Prime Minister in the House of Commons over the past 120 years, according to a earch team at the London School of Economics.

"No one else, not even Lloyd George, comes anywhere close to her level of diffidence about Parliament," says Professor Patrick Dunleavy, a member of

Its findings, published today in Public Administration, com-pare the overall activity of raised the issue.

mons - whether answering questions, making statements, giving speeches, or intervening in debates - by computing a new index showing the average parliamentary days elapsing

between any one activity.

Mrs Thatcher hardly ever intervenes in debates, although prime ministers have often been wary because such intervention tends to lend credence to the Opposition which has

Nor does she often make afternoons. They are "the one statements, except on foreign affairs and especially on overseas summits and conferences, which take us much more of her time than that of her predecessors. On domestic affairs, excluding routine matters, she makes a statement only every 176 days, compared with every 28 days by Mr Edward Heath. Her activity rate is mainly accounted for by Prime Minis-

ter's questions - 15 minutes each on Tuesday and Thursday

unavoidable parliamentary chore," for which Mrs Thatcher is reputed to put in a lot of preparation.

A number of reasons are suggested for Mrs Thatcher's reclusiveness in the Commons.

She has a strong preference for running the core executive itself rather than presiding in Parliament; she likes to pres-ent herself in public only in

female Prime Minister operating in an overwhelmingly male For Mr Neil Kinnock, their conclusion is that his perfor-

mance in the Commons should be revised considering that Mrs Thatcher, "has been one of the most difficult premiers to attack in modern times."

Prime Minister, Cabinet and Parliament; she likes to present herself in public only in scripted and carefully controlled events; she is the first cond, Oxford OX4 IJF. 28.

## More agencies being launched

ONE IN 10 civil servants will be working in executive agen-cies after the launch this week of 18 such bodies in addition to 12 already operating. Agencies, which stem from the 1988 Next Steps report, are Mrs Thatcher's main method of

improving government services at no extra cost. Each has a chief executive given more freedom to manage from day to day in the style of the private sector, although still responsible to the minis-

In time, they could be the means by which national pay bargaining in the Civil Service breaks down Mr Michael Fogden, chief executive of the Employment Service, launched officially today, will be looking for ways to make pay more flexible for his 35,000 staff. Consultants have been appointed to carry out a pay exercise. The results will be

discussed with the Department of Employment, the Treasury

and trade unions. Mr Michael Howard, Secre-

tary for Employment, launches the agency at a time when unemployment rates are forecast to start going up after a long period of decline. The commitment to the launch was made over a year ago by Sir Norman Fowler, his predeces-

Royal Mint - 950

Ministers have set Mr Fog-den published targets, includ-ing getting 50,000 more unemployed into work this year than in 1989-90, or for 80 per cent of placings into jobs to be from the register of unem-ployed - whichever is the

Employment Service — 35,000 staff
Driver and Vehicle Licensing Agency — 5,250
Information Technology Services Agency (DSS) — 3,000
Meteorological Office — 2,450 Driving Standards Agency - 2,000 Hydrographic Office - 900 Central Office of Information - 750 Building Research Establishment - 650

> greater. He must also reduce the incidence of inaccuracies meet cost-cutting targets.
> The average waiting time to take a driving test - currently eight to nine weeks - will

have to be cut to six next year

as one of the targets set for the Driver and Vehicle Licensing Agency, also being launched today. Chief executives of the new agencies have been mainly recruited from the Civil Service, sometimes with competi-tion from the private sector.

## will remain centralised By David Thomas, Resources Editor

Marketing of electricity

THE ELECTRICITY industry is to continue with central mar-keting of electricity after priva-tisation in a tactic to fight off the competitive threat from The marketing will be con-

ducted by the Electricity Asso-ciation, a new trade association for the industry, which will have an annual advertis-ing budget of about £12m. The association came into

existence on Saturday, the industry's "vesting day", when the new electricity companies heading for privatisation are formally constituted. The association will assume some of the functions of the

Electricity Council, the indus-try's central body under the nationalised structure, but its membership will be widened to include the industry in Scotland and Northern Ireland. Associate membership is likely to be offered to Ireland's electricity industry and the new

independent generators. The association will have about 800 staff, some 500 fewer than the Electricity Council.

Some functions, notably finance, will be devolved to individual companies under

individual companies under the privatised structure.

• A Labour Government might take a stake in the National Grid Company, Mr Frank Dobson, Labour's Energy spokesman, said at the weekend. National Grid is to be jointly owned by the 12 area supply companies under the newly privatised electricity industry structure. Mr Dobson has previously said that Labour has no plans to renationalise the entire electricity industry.

industry.

• The Government could save £2bn if it abandoned construction of the planned nuclear power station in Sizewell, Suf-folk, a report published at the weekend by Greenpeace conaverage annual return of 60.1 per cent. Hazlewood's average return was 51.9 per cent.

DOWTY, the electronics and defence group, confirmed yes-terday that it had asked the Government to block the pro-posed sale of half of Ferranti's sonar operations to Thomson-CSF of France.

## Smaller pay rises for top managers

Some of the larger Civil Service bodies that

become executive agencies this week:

BRITAIN's top managers are awarding themselves slightly smaller basic pay rises, but the rate of growth of their total income continues to rise because of bonuses, according to a study of executive pay by Charterhouse, the UK mer-

chant bank. Lord Hanson, executive chairman of Hanson, tops the league of the most highly paid executives in Britain with an annual remuneration of 21,584,000. Mr "Tiny" Rowland, managing director and chief executive of Lonrho, comes next with a package of £1,317,257. There are 32 people listed

who earn more than £500,000 a

year. Most of them are subject

to a performance-related incen-

tive and 18 are the chairmen of their companies. Merchant

banking dominates the list.

average (median) chief executive in the six months to the end of February was 13 per cent, compared with 14.2 per



Top earners: Lord Hanson (left) and "Tiny" Rowland The annual pay rise of the cent for annual pay rises verage (median) chief execudeclared in the half-year ending August 1989. Divisional directors have

seen their annual pay rises fall

to 12.5 per cent in the latest six months from 18.2 per cent previously.

Against the trend, sales and

marketing directors' basic remuneration cose by 13 per cent compared with 10.2 per cent in the six months to August 1989. The Charterhouse survey,

prepared by Monks Partnership, a pay consultancy, is based on an analysis of 1,139 company annual reports. A little over 10 per cent of those related to the period July to December 1989

December 1989.

The study show an increase in executive and save-as-you-earn share schemes for management.
Charterhouse Top Management Remuneration, Monks Publications, Debden Green, Saffron Walden, Essex, CB11 3LX £200.

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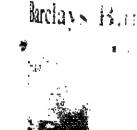
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APPOINTME m division ...

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### UK NEWS

## Bid activity fell in first quarter, survey indicates

By Nikki Talt

sharp downturn in the first three months of 1990, according to aleague table of mergers and acquisitions.

The figures, compiled by FT Mergers and Acquisitions International, name Lazard Brothers as the most active investment bank during the quarter. The bank advised on six completed bids for UK publicly quoted companies with a combined value of £767m.

in second place came S. G. Warburg, with four bids worth £685m, and next, J. Henry Schroder Wagg, also with four deals, but worth only £538m. However, the value of Lazard's deals in the first quar-

ter was only a fifth of that achieved by S. G. Warburg the year before, when it held the comparable number one slot. A single quarter's figures are not necessarily indicative of trends in the mergers and acquisitions industry, and there has been some revival in hid activity in recent weeks.

The tables cover only those

UK BID activity experienced a deals which have been declared unconditional, referred to the Monopolies and Mergers Commission or lapsed during the period. Nevertheless, the present dif-

ficulties surrounding leveraged deals and the uncertain eco-nomic climate have been suggested as reasons for the slowdown in takeover activity. In terms of completed bids for all UK companies, the rank-ings are broadly similar, although Baring Brothers over-

County NatWest, which had slipped badly in the rankings in the wake of the Blue Arrow affair, returned to fifth place, boosted by its role in the 1976.5m sale of Yorkshire Bank to National Australia Bank.

took Schroder Wagg in third

Schröder Wagg led the table of bids for all UK companies and British hids abroad. It advised on 13 transactions, with a value of £2.73bn. In sec ond place came Lazard Brothers, followed by Merrill Lynch and then S. G. Warburg. employ upwards of 300 people, according to Peat Marwick McLintock. At one point in the 1970s it employed about 3,000.

## **Offshore** bid raises hope for failed yard

By James Buxton, Scottish Correspondent

AN OFFSHORE platform building yard on the north-west coast of Scotland that closed in 1987 might reopen this year. A consortium of British and Norwegian contractors has taken an exclusive option to buy the former Howard Doris yard at Kishorn from Peat Marwick McLintock, the receivers.

The consortium, composed of Fairclough, a subsidiary of AMEC, and Norwegian Contractors, a leading Norwegian civil engineering company, would exercise the option if it won a contract to build a large underwater concrete substruc-ture from Amerada Hess, the US oil company, for the Scott field in the North Sea. The contract, which is sought by other companies, is unlikely to be decided before June.

The Howard Doris yard was created to build concrete plat-

forms and has a very large dry dock hewn out of the hillside. The company went into receivership in 1986. If it were reopened, it could

David Mellor: went out on a limb to improve the measure

A REMARKABLE compromise has been struck between the broadcasting authorities and the Government over the Broadcasting Bill, now moving towards its report stage in the House of Commons.

Cash consensus achieved over Broadcasting Bill

Free market principles that were at the centre of both the white paper and the bill published last year after nearly five years of debate have been modified markedly to reflect the traditions of British broad-

The bill still provides that

the new Channel 3 (ITV) franchises should go to the highest bidder. However, bidders will have to meet a quality thresh-old described by Mr Richard Dunn, chairman of the ITV Association and managing director of Thames Television, as "very high and very solid, built on existing ITV practice." Mr Dunn added: "There is, subject to the final amendments, a genuine accent on quality of broadcasting offered, with money being a significant factor but not necessarily the

be all and end all." At one stage, most of the existing 16 ITV companies appeared to face oblivion. The Government planned that com-mercial franchises would go to whomever put down the larg-est amount of cash, after pass-ing a barely defined "quality threshold" subject only to equally undefined "exceptional

Even political opponents

acknowledge that Mr David Mellor, Minister of State at the Home Office responsible for broadcasting, improved the bill during the committee stage, completed recently, and on occasions went out on a limb

to do so. The quality threshold has been strengthened by placing obligations on broadcasters to produce both children's and religious programmes and to make high-quality regional

The Independent Television Commission, which will replace the IBA, will also be able to set out for potential bid-ders a clear set of programme obligations - which may differ little from those the ITV companies now face. More impor-tant, the commission will be able to consider both the cash bids and programme proposals in tandem to determine how practical the entire package is

a proposal designed to prevent overbidding.

Even more significantly, Mr Mellor obtained permission from Mrs Thatcher herself to make clear in the bill that a bid offering exceptional quality would always win priority over the highest cash bid.

Along the way, the Government dropped controversial clauses that would have allowed a police officer of the rank of superintendent or above to seize scripts or tapes before they were broadcast, It also decided that there

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should be at least two commer-cial broadcasters in Scotland, and provided for a continued

commercial teletext service. More ITV companies will probably lose their franchises than in previous franchising rounds even under the modified process of competitive tendering, yet the balance has been tipped in favour of the

existing companies.

That should lead to merger and takeover activity as would-be entrants to the broadcasting market try to place each-way bets by buying up production expertise - a process already under way. Last week, Thorn EMI and BET announced that they would dispose of their combined 56 per cent stake in Thames.

As the bill goes to its report stage this month and on to the House of Lords, there will be one last push by broadcasters on three remaining controversial issues:

 Cross-media ownership and whether Mr Rupert Murdoch, chief executive of News Corporation, should be able to own five national newspapers and four satellite television

Whether there should be a one-year moratorium on takeovers to allow new franchise holders to establish their Government insistence that

51 per cent of Independent Television News should be sold to outside interests.

Minel 1968 position)	Value of bids (2m)	of bids
1. Lazard Brothers (2)	767	. 8
2. S. G. Warburg (1)	685	4
3. Schroder Wagg (8)	538	4
4. Baring Brothers (18)	380	2
5. Kielnwort Benson (10)	332	3
B. N. M. Rothschild (11)	Here # 1 /4 324 11 11 11	2
7. Barclays de Zoeta Wedd (17)	301	4
8. Morgan Grenfell (9)	278	4
9. Samuel Montagu (14)	226	5
10. James Capel (-)	206	3 .

## Porton acts on lab fears

PORTON INTERNATIONAL, the biotechnology company that wants to buy an important Government health laboratory, has attempted to calm fears among the centre's staff about prospects should the sale pro-ceed, writes Peter Marsh.

Porton said it hoped soon to talk to the 600 employees at the Centre for Applied Microbiology and Research, (CAMR), based near Salisbury, Wiltshire, to explain details of the

company's plans.
"The company wants to ensure that in future there will be a thriving, well rewarded CAMR," Porton said in a statement. "It accepts that its task is to persuade CAMR staff of the merits of privatisation." In a recent ballot of staff at the laboratory, a majority voted against the idea of Porton taking over the laboratory

### APPOINTMENTS

## Senior divisional post at Barclays Bank



BARCLAYS BANK has appointed Mr Sinbad Coleridge (pictured) as UK director of its corporate division. Reporting to Mr Coleridge will be some 16 industry-based teams headed by corporate finance directors and supported by export, project and acquisition

finance specialists. He has gained wide international experience with Citibank which he joined in 1967 prior to his appointment with the Barclays Group in the corporate banking sector.

Mr Geoff Burnell and Mr Keith Civval have been appointed to the board of SAVE & PROSPER GROUP from April 1. Mr Burnell has been responsible for the ... adminstration and development of the group's banking and credit card operations. Mr Civval has been concentrating on the expansion of the company within the investment products market.

■ Mr David Bruce will be joining GUINNESS MAHON HOLDINGS as finance director on May 3 in succession to Mr. Ian Dinwiddie who is leaving to take up a senior appointment with Allen & Overy. Mr Bruce was formerly executive director, finance and administration with the International Stock Exchange and prior to that treasurer and controller of Shell UK.

 RIGGS AP BANK bas elected Mr Paul Bishop and Mr Peter Haycock to the board as executive directors. They have both been appointed from within the bank. Mr Steven Pfeiffer is made a non-executive director. Mr Pleiffer is head of the international department at Fulbright and Jaworski, the



THE WM COMPANY, the Edinburgh-based investment services company, has appointed two marketing directors. Mr Mark Kerns previously head of marketing has become sales and marketing director. Ms Linda McPherson has been appointed marketing director for WM's global performance measurement services. She was previously head of the company's North American sales and marketing

■ PAL INTERNATIONAL, the of hygiene and barrier protection products for food and healthcare markets, has promoted Mr Colin S. Gore to director-group management services. He remains company

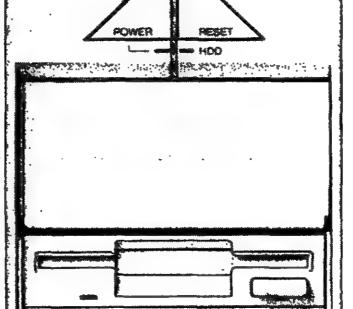
 Chesterfield-based BRYAN DONKIN CO has appointed Mr Jeffrey Keighley as its managing director. He succeds Mr Andrew Nielson who has left the company. Mr Keighley was managing director of T & P England, another member of the Hopkinson Holdings



Mr Don Pinchbeck: (above) will become managing director of EPSON (UK) on April 1. He takes over from chairman and Corporation in Japan.

managing director Mr Masakazu Sakisaka, who has returned to the Selko Epson At the same time Mr Hisataka Kamio, corporate manager, finance, has been appointed deputy managing

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### MANAGEMENT

azuo Wada, chairman of Yaohan, a Japa-nese retail chain that is expanding rapidly in south east Asia, made world news last October when he announced he was moving the

group's headquarters to Hong Kong. For one thing, it was unprecedented for a Japanese com-pany to move its headquarters out of the country. Moreover, at a time when many compa-nies and individuals are making plans to leave Hong Kong in advance of the end of British a foreign company to be relocating there.

Wada's view is that, in the

wake of the Tiananmen Square crackdown last year, the Chinese authorities have become increasingly concerned about their world standing. He therefore believes that they are more likely to respect the treaty with the UK which provides for Hong Kong's autonomy for 50 years after 1997 than they might have been

"If they break the treaty, they would be in serious trouble, especially because there is so much investment in Hong Kong from the US, the UK and Japan," he says. As a result, the 60 year-old

chief executive is now in the middle of moving humself and 30 senior executives of the Yao-han group from Numazu City, 100 miles west of Tokyo, to the top two floors of Hong Kong's new International Convention Centre.

Whatever one may think about this rationale, it is worth remembering that Yaohan under Wada's leadership has fared extraordinarily well in the past 20 years by doing unorthodox things. From a base of six supermarket-department stores in and around Numazu, it has expanded both in Japan and abroad until it now has 55 stores in Japan, 22 in six foreign countries, plus a 4.000-bead cattle ranch in Brazil, property developments in the US and Canada and a chain of restaurants in Hong Kong. In the year to May 30 1989

the group had net profits of Y1.9bn on sales of Y149.6bn (£610m). Wada's target is that t should have turnover of Y800bn by 1997, of which half would come from outside

Wada says the company moved abroad mainly because a Japanese law designed to protect small shops prevented it from expanding within the country. "It can take up to 10 years to get approval to open a supermarket," he complains. Head office location

## Why Yoahan decided it was time to move

Ian Rodger on the Japanese retailer's Hong Kong-based plans



Kazuo Wada is a member of Seicho no ie, or Humanity Enlightenment Movement, which he says emphasises the infinite potential of people if they co-operate to create harmony

Lately, the US Government has put this problem on the top of the list of structural barriers to trade it is discussing with the Japanese government. "I support the US trade offensive totally. I wish things would change more quickly," he says. "The biggest problem in Japan is that there is no politician who can lead. It would be good we had a prime minister like Mrs Thatcher." Wada has set his sights on

Yaohan becoming the Sony of the distribution business, as he puts it; that is, it would become bigger and better known overseas than in Japan. Its first venture was in Sao Paolo, Brazil, where it set up a department store in 1972, hoping to capitalise on the presence of a large Japanese com-mmunity there. The store did well for four years, but col-

lapsed after the oil crisis, and had to be closed in 1976. Meanwhile, the group opened a store in Singapore and then gradually expanded in Malaysia, Hong Kong, Brunei. Taiwan and the US, to the point where its total store space overseas is now slightly

greater than its space in Japan. As the network grew, so did the group's buying power and sophistication. Much of the goods bought overseas for the south east Asian stores was also put in the Japanese stores long before it became fashionable to import consumer goods

Yaohan is now building a huge wholesale centre at the new International Merchandise Mart in Singapore which will handle all the purchasing and distribution for the group's stores. And last October, it decided to create a holding company in Hong Kong and move the headquarters staff

Wada says another Japanese law, which prohibits the estab-

lishment of holding companies in Japan, was the main reason for this surprising move.

Some have suggested that another reason was Yaohan's interest in developing China both as a market and a source of goods, but Wada denies it. We are not thinking about China at the moment. If the GDP per capita became \$1,000 a year, that would be the base for us, I think, but it will not

happen till the 2ist century."
In the past couple of years,
the group has diversified into property development, and is planning shopping centres and resorts in the US, Canada and Malaysia.

Perhaps its most interesting project is a Japanese-style tel now under construction in New Jersey. The customary huge public bath will be installed on the third floor from where bathers will be able to enjoy breathtaking views of Manhattan.

Profits from foreign operations are still "small" compared with the Japanese Corporate alliances compared with the Japanese stores, but Wada says some stores, especially the one in Hong Kong, are very successful, and he is confident that profits from foreign operations will soon be better than those in Japan. "We succeed because

## The path for career couples?

Guy de Jonquières assesses the most effective approaches

company's ability to meet its needs from its own resources was once a measure of its market power. No longer. In recent years, even large groups such as Gen-eral Motors, IBM and Siemens have swallowed their pride and turned to independent partners to help strengthen existing

small grocer, he initially resisted family pressure to take over the business, wanting to become a diplomat. While studying economics at univerbusinesses or enter new ones. Their enthusiastic search for allies is part of an accelerating worldwide trend. In almost sity he was a member of the Communist Party for two years. When he left he entered the family business. every business sector, tradi-tional relationships between competitors, suppliers and cus-tomers are being rapidly rede-fined as companies weave Under his mother's direction,

he joined a religious group called Seicho no le, or Human-ity Enlightenment Movement. According to Wada, it combines elements of Buddhism, Christianity and Shintoism and emphasises the infinite potential of people if they co-operate to create harmony. Wada still gets up at 4am every day and does 30 minutes of zazen meditation. "I pray for the happiness of my employees and the growth and prosperity of the countries in which we

we try to become a local com-pany in each country. We do not spend our time thinking about what is happening in

Japan," he says.

As might be expected.

Wada's background is a bit unorthodox as well. The son of

operate," he says.

These sentiments are not just posturing. Wada has shown his concern for his Jap-anese employees in a number of ways, most recently by put-ting them on a four-day week, something unheard of in workaholic Japan. "Since a lot of our customers come to the stores at the weekend, we have to ask our employees to work then. But we give them three days off during the week."

Thus, although retail groups rank low in the minds of male university graduates as prospective employers, Yaonan has no trouble attracting good people. "This year we employed 300 university gradu-ates from 9,000 applicants," he says. The wages he pays are only slightly better in some categories than his competitors, but mainly about the

It would be nice to be able to report that Wada was an example of a new type of Japanese businessman, global in out-look, entrepreneurial in spirit. He is not a young man and there are few like him in Japan. But the fact that he has succeeded indicates that not every nail in that country gets hammered in.

increasingly complex networks of alliances, both nationally and across borders.

This explosion of activity is

this explosion of activity is the result of powerful eco-nomic and technological forces, which have conspired to produce a more fluid and unpredictable business environment. In a world where swift reactions are vital to commercial survival, alliances can offer a simpler and more effective alternative to organic growth or acquisition.

However, as a newly-published study from Business International emphasises, alliances are not a magic bullet which will unerringly hit the target. Indeed, unless skilfully selected, structured and man-aged, they can rebound on the companies involved, damaging their mainstream businesses. The past decade has seen

some outstanding successes, such as the CFM jet engine joint venture between General Electric of the US and Snecma of France. But there have also been severe disappointments. such as American Telephone and Telegraph's now defunct alliance with Olivetti of Italy. Some projects, such as the proposed merger between the Dutch Amro Bank and Bel-gium's Société Générale de Banque, were aborted soon

after they were launched. To use alliances effectively, companies need to take a fresh look at their business and develop special skills. As the report puts it, they must become "chameleons", adept at responding to fast-changing competitive conditions and equipped to manage a diverse portiolio of business interests which they do not fully con"Despite their great variety, alliances can be categorised, obey certain rules and be managed," the report says. It dis-tinguishes broadly between "trading" alliances, in which companies typically remain at

companies typically remain at arm's length and simply exchange assets, and "functional" ones, which involve a pooling of assets and more intensive integration.

Relationships between the companies involved also vary. Some, such as the collaboration between the Swedish-Swiss ABB and Bolls-Royce in power-generating equipment, power-generating equipment, are between "conventional couples" which compete in different parts of the same business. Others are "career couples", direct competitors which team up to take on the world, as Air France and Lufthansa have

done in air transport; still others, such as American Cyanamid and Britain's Celltech, are "odd couples", drawn from wholly different business backgrounds. Then there is the "just good friends" partnership, typically formed by companies such as Japan's Suntory and Britain's Allied-Lyons, which compete in the same products but in differ-

ent parts of the world. Finally, there is the "shot-gun wedding", precipitated by the threat of hostile takeover. In each case, the promise of committee him harbours risks for the unwary. At their mildest, these amount to a dwindling commitment to the joint enterprise. At worst, they may lead to direct conflicts of inter-

est which cause the partners to turn against each other. The report insists that find-ing the right formula for managing alliances is more impor-tant to their success than defining their precise legal structure. Yet research by consultants Coopers and Lybrand has found that companies spend less than 10 per cent of the negotiating time on man-agement questions.

Companies which do much

of their business through alli-ances need to assess whether they involve a loss of competitive advantage, and if so. whether they are worth it. The alliance's strategy and each partner's precise strengths and contributions should be defined at the outset. It should also have a limited lease and

be regularly reviewed.

The value of an alliance depends, above all, on the partners' ability to learn from it—a point underlined by a survey of international companies by SRI International. More than 40 per cent of the companies. 40 per cent of the companies said the main reason for forg-ing alliances was to exploit partners' technology, while less than 20 per cept cited mar-ket access. The most frequent problem mentioned was ach-

leving value for money. The report recommends several ways in which companies can guard against losing more than they gain. They can build walls around their own tech-nology, insist that both part-ners commit valuable capital and technology to a semi-autonomous joint venture or use the technology generated by an alliance to build up their own competitive advantage.

ompanies need to steer a course between the extremes of relying too heavily on individual alliances and of failing to take full advantage of the alliance's resources. In jet engines, GE avoided the former trap by forging parallel link-ups in competition with CFM and constantly reminding the joint venture that GE was backing other horses as well. ompanies need to steer

other horses as well. Capturing the full benefits of an alliance and ensuring that they are used effectively is, lenge. The keynote is flexibility on the part of parent compa-nies, which need to view alliances as dynamic, constantly evolving enterprises, and organise themselves so that they can respond rapidly to

new developments.
The report finds that west-The report finds that west-ern companies have much to learn from the Japanese. Not only have the latter long been more active in initiating alli-ances, but they have also been much more assiduous in extracting the benefits.

Western failings are well-illustrated by Kerox's joint venture with Fuji of Japan. Only long after Japanese competition in low-cost copiers had become a serious problem did Xerox realise that Fuji could provide the manufacturing skills and technology needed to mount a counter-attack. \* See today's Business Column

### LEGAL COLUMN

## Brittan calls for treaty where competition policies clash

By Robert Rice, Legal Correspondent

Commissioner, called for early negotiation of a treaty or bilateral agreement between the US and the EC to prevent and resolve potential conflicts of jurisdiction over competition

policy and anti-trust matters. Emphasising the EC's commitment to a strong competi-tion policy, Sir Leon said some form of agreement was needed to provide for consultations, exchanges of non-confidential information, mutual assistance, and best endeavours to co-operate on enforcement where policies coincide and resolve disputes where they do

Wherever possible, only one party should exercise jurisdiction, he said. In order to achieve that, it would be neces-sary for one party to agree to waive jurisdiction in certain defined circumstances and for the other, in exercising its

The spur for Sir Leon's call is the risk of EC-US conflict over mergers involving multinationals

jurisdiction, to take full account of its partner's views and interests. If both sides chose to exercise their jurisdiction concurrently they should each take account of the other's concerns and seek to adapt remedies

accordingly.
The internationalisation of business was taking place so rapidly, Sir Leon said, that there was not much time left for the negotiation of such an agreement.
It is the second time in as

many months that Sir Leon has turned to this theme. The spur, undoubtedly, is the potential for conflict between the EC and the US in particular, over the correct approach to large multinational mergers once the new EC merger regulation comes into force in Sep-

All the same, his concern underlines the importance he attaches in general to greater co-operation in this field with the EC's main trading part-

The EC's principles on com-petition policy are largely

IN NEW YORK last week, Sir Leon Brittan, EC Competition shared by the its leading partners, so confronta-

tions are rare. As Sir Leon quipped in February, there are more proposed solutions to problems of inter-national anti-trust conflicts than there are individual cases where conflicts have arisen.

There is no desire to offer solutions to difficulties that do not exist but while conflicts may be rare now, in a business world characterised by falling barriers to trade and the integration of markets, disagree-ments will inevitably increase

in the years ahead.

In the drive towards internationalisation, the 1980s witnessed a huge increase in foreign direct investment through greenfield projects, and cross-border mergers and acquisitions, as businesses looked for growth outside the confines of their domestic markets. Outward investment from

countries in the Organisation for Economic Co-operation and Development rose from \$244.6bn (£150bn) in the 1970s to \$419.3bn between 1981 and 1988. Inward investment increased from \$79.9bn to \$107.5bn. Since 1986 direct investment has grown two and a half times to three times as fast as merchandised trade within the OECD.

The 1980s also saw the emer-

gence of a number of regional groupings within the interna-tional economy. The clearest exaamples are the single Euro-pean market and the free-trade agreement between the US and Canada and the deal proposed between the US and Mexico.

Japan also emerged as the leader of a third, Asian-based, group of economies. In Europe, the EC's relations with the European Free Trade Associa-tion markets are coming closer One concern is that such

regroupings of national economies will give rise to a new form of regional protectionism based not on the traditional protectionist measures of the eighties, such as quantitative import restrictions and anti-dumping actions, but on regional or trading bloc compe-tition policy.

The EC's commitment to

competition policy has never been stronger – witness the adoption of the new merger regulation. In the US, there are signs of a more active antitrust enforcement policy from the Bush Administration.

Sir Leon's view is that, with the best will in the world, the US and the EC are sooner or later going to take different views of a multinational competition case, and if it is not the US it might as easily be Sweden, Australia, Canada or

Japan.
He quotes Lord Wilberforce in the 1978 Westinghouse case:
"It is axiomatic that in antitrust matters the policy of one state may be to defend what it is the policy of another state to attack." The recipe for conflict is obvious, he says, and there-fore there must be an interest

in devising solutions. Not everyone agrees with his approach. It is widely accepted that states should exercise jurisdiction in competition cases with a foreign elemen only to the extent permitted by

international law. That has led some people to advocate that, rather than drawing up specific competi-

**Blocking statutes** arose through fear of the US exercising jurisdiction where a case has a foreign element

tion treaties or agreements, general rules of international-law should be developed to circumscribe the way in which territorial jurisdiction is exercised in competition matters, such as the principles of non-interference and comity.

A rule of non-interference would prohibit a state from applying its law if the regulatory interests it is pursuing are outweighed by the interests of a foreign state that is likely to be seriously injured by meabe seriously injured by measures to be taken under the law concerned. That would be extremely difficult to apply in practice, and there is considerable discourage. able disagreement as to whether the principle really amounts to a rule of interna-tional law in the first place.

Comity is undoubtedly a principle rather than a rule and is already observed by the EC in competition matters inasmuch as it may be defined as "an expression of the obligations of states to exercise moderation and restraint in exer-cising jurisdiction in cases with a foreign element and to take due account of the law

and interests of other states in

Sir Leon clearly feels that general rules and principles will not be enough to ensure that different jurisdictions come to the same conclusion about the same case, and therefore something further needs to be done to ensure greater co-operation in this area.

The EC already has a number of bilateral agreements pro-viding for comparable competi-tion rules and consultative mechanisms but, all around it, countries such as South Africa, Australia, the UK, France and Canada have adopted "block-ing statutes" – largely because of fears of the US exer-

cising jurisdiction over issues with a foreign element.

Such blocking statutes vary in content but their purpose is broadly the same: namely, to protect their companies from foreign law enforcement, usually in respect of such matters as production of documents and other discovery proce-

and other discovery procedures.

Specific agreements between the US and foreign countries on anti-trust such as those with West Germany (1976), Australia (1982) and Canada (1982) and Canada (1984) are more encouraging,

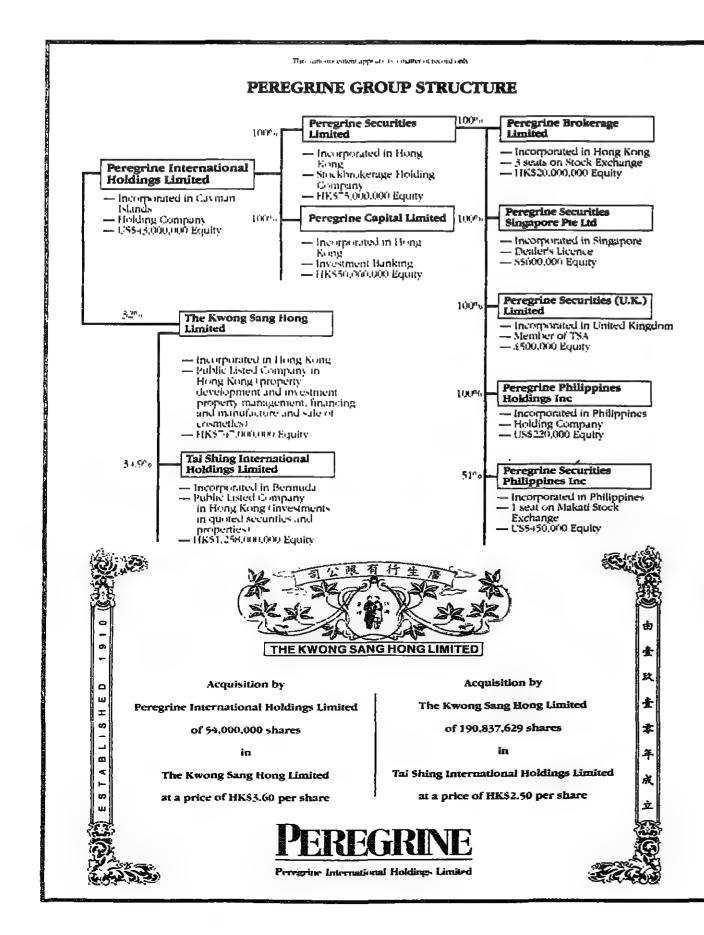
Sir Leon says. Within the EC, France and Germany signed such an agreement in 1984. None of them should provide a model, he says, but they all show the desire for co-operation and avoidance of confrontation that must be the hallmark of the

As the EC moves towards the single market, the issues that concern it will inevitably become more international.
Competition policy has to face up to the challenges of an increasingly interdependent

world. Sir Leon's view, one which incidentally is backed by Mr Jacques Delors, the Commission President, is that the only way forward lies in a combinaway forward hes in a combina-tion of proper respect for inter-national law, politically responsible exercise of self-re-straint and regard for others, and comprehensive bilateral treaties negotiated between the world's free-market trading

In the absence of a worldwide competition authority and the unlikelihood of one emerging in the foreseeable future, it is difficult to dis-

DOWERS.





13

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## UK pavilion building at Spanish exhibition

TRAFALGAR HOUSE CONSTRUCTION MANAGE-MENT has won two orders . a £14m contract for construction of the UK Pavilion for Expo '92 in Seville. Spain: and the management contract for a £5.3m district service centre for the Midland Bank at Coventry.

The British Pavilion will be one of the largest at Expo '92, which is expected to attract 40m visitors. The pavilion, a tubular steel and glass structure, covers over 6.000 sq metres (about the size of Westminster Abbey). It will be built in the UK then shipped to Spain in kit form.

Work has started on the Midland Bank building which is a 40,000 sq ft (430 sq metres) two-storey structure providing high-technology offices and

## **Midlands** hospital project

TAYLOR WOODROW CONSTRUCTION (MID-LANDS), in joint venture with William Steward and Co and Daley Heating Contractors, has been awarded a £20m contract to construct a building at the Burton District Hospital Centre, for the West Midlands Regional Health Authority.

Covering some 18,000 sq metres, the building is to be generally of two storeys and will provide space for up to 370 beds including 58 for maternity use. The project will commence in April and completion is scheduled for early in 1993.

### CONSTRUCTION CONTRACTS

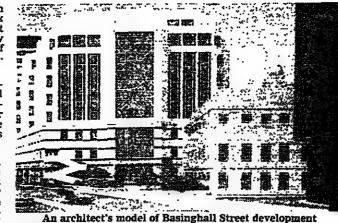
## £40m City of London offices

MOWLEM BUILDING has been awarded a £40m fast-track office development contract at 55 Basinghall Street, EC2 by joint developers Wates City of London Properties and Prudential Portfolio Managers.

The main construction contract involves a 12-storey steel frame structure with compos-ite metal and concrete floor slabs, granite faced and double glazed aluminium windows and curtain walling.

The complex will contain two levels of basement with car parking, offices and plant rooms. The ground floor includes entrances to office areas and to a new City business library. The structure will be built around a central

The Basinghall Street project



floors and suspended ceilings. has been designed to provide eight spacious upper office floors incorporating full air Mowlem Building has started work and completion is schedconditioning, raised access

## Motorway construction in Scotland

The northern construction division of BALFOUR BEATTY CONSTRUCTION has been awarded a £22.1m order by the Scottish Development Depart-ment to construct the first section of the M74 between Millhank and Nether-Abington.

The Millbank to Nether-Abington motorway scheme is located south of junction 12 on the M74 motorway passing east and north of the A74 in the Strathclyde region to connect with the A74 trunk road, north

Work comprises the construction of about 11.5 kilo-metres of three-lane motorway with 11 metres wide carriage ways, central reserves of 4 metres in width and 3.3 metres wide hard shoulders. The south west region of the

Department of Transport has awarded the southern roads unit the £10.7m A30 Plusha-Bolventor road improvement

The scheme comprises the upgrading of about 8km of single carriageway to dual car-

riageway and the provision of by-passes to the hamlet of Bol-ventor (where the famous Jamaica Inn of Daphne du Maurier (ame is located) and the villages of Five Lanes and Trewint.

The contract also includes about 560,000 cu metres of excavation, the construction of four reinforced concrete bridges, two precast culverts, drainage, side roads, signing and fencing works commences in April and is programmed to

## Fitting out Meadowhall store complex

BOVIS CONSTRUCTION Fraser Group in the North, has (NORTHERN DIVISION), a been planned and styled by P&O company, has been awarded an £8.2m contract by House of Fraser (Stores) to fit out its 96,000 sq ft store in the Meadowhall development outside Sheffield.

The store, which will become the flagship for the House of

American interior design specialist Hambrecht Terrell International.

The ground floor will provide 32,410 sq ft of retail sales area while the first floor will provide 43,030 sq ft of retail space. Work started in Novem-

ber to lay the floor screeding for the marble walkways on Utilising a combination of hard and suspended ceilings, a sprnkler fire protection sys-

mechanical and electrical ser-

vices will be installed through-

## Academic workload for Brazier & Son

School and college building contracts valued at over £7m have been awarded to BRAZIER & SON. The contracts include the following: At Reading University Brazier is at work on a 22.78m contract for a microbiology building sched-

uled for completion in July 1991. The two-storey development comprises some 2,785 sq metres and is to be linked to university buildings. At Ascot the group has a £1.35m contract designed by the PSA for an accommodation block at the

Civil Service College, Sunning-dale Park. Listed oast houses at the Lord Mayor Treloar College, in Alton, are being con-verted in a £800,000 contract into teaching accommodation for disabled children and resi-

## FINANCIAL TIMES CONFERENCES

## IRANSPORT IN THE 905

21 & 22 May, 1990 - London

Now that most of the financial problems of the Channel Tunnel project have been settled —at least until the next crisis—Europe has a renewed opportunity to focus on the major transport issues which will face it in the coming decade. Will the UK Government, British Rail and the private sector take full advantage of the opportunities and challenges which the completion of the tunnel will bring? What is the future for the ferries industry? What is the EEC proposing for the implementation of a common European transport system? The extent of the progress to date, and the problems it presents for national governments and private industry, will be at the heart of the Financial Times conference on European Transport in the 90s. Speakers include:

The Rt Hon Cecil Parkinson, MP Secretary of State for Transport, UK

M. André Bénard Co-Chairman, Eurotunnel

M. Bernard Lathière Chairman & President of the Board Aeroports de Paris

Professor Peter Hall Director, Institute of Urban & Regional Development University of California at Berkeley

Mr Tony Stanton Freight Transport Association Limited

Mr Ian Brown Managing Director, Railfreight Distribution British Railways Board Mr Eduardo Peña

**Director-General for Transport** Commission of the European Communities

Sir Colin Marshall Joint Deputy Chairman & Chief Executive British Airways Plc

Mr Brian Unwin, CB Chairman, HM Customs & Excise

Mr Dan Sten Olsson Chief Executive Officer Steno AB

Mr Eric Kocher ABB Transportation GmbH

Mr Erik Vandenbroele Secretary-General Community of European Railways

A limited amount of exhibition space is available at the conference.

## EUROPEAN TRANSPORT **IN THE 90**5

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## PARLIAMENTARY

Commons: Human Fertilisation and Embryology Bill, second reading.
Lords: Gaming (Amendment)
Bill, third reading. Law Reform
(Miscellaneous Provisions)
(Scotland) Bill, committee. Select committees: Public Accounts: subject, Customs account matters. Witness: Mr J.B. Unwin, head of Customs and Excise. (Room 16, 4.30

Agriculture: subject, public spending. Witness: Mr John Gummer, Minister for Agriculture. (Room 6, 5 p.m.)

Commons: Social Security Bill, conclusion of remaining

stages.

Motion on NHS Regulations on Charges for Drugs and Appliances.
Lords: National Health Service
and Community Care Bill, sec-

ond reading. Select committee: Treasury and Civil Service: subject, the Budget. Witness: Mr John Major, Chancellor. (Grand Committee Room, Westminster Hall, 4.30 p.m.) Committee on a private bill: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

Wednesday Commons: Education (Student

Loans) Bill, consideration of Lords amendments. Lords: Debate on "Social, financial and environmental

### FINANCIAL

TODAY
COMPANY MEETINGSAllied Textile. Registered Office, Highburton, Huddersfield, 12.00
Chester Waterworks, Aque House, Boughton, Chester, 12.00
Updawn Investment, 12 Tokenhouse Yard,

Jerome (8.) Geinwork

North British Canadian Inv. Spirax-Sarso Engineering

Barry Wehmilber Inti.
Lucas Industries
DIVDEND 8. INTEREST PAYMENTSAAH 42% Pri. 2.1p
ASS Kerd 8% Deb. 86/80 3.075pc.
Do. 7% % Deb. 86/80 3.075pc.
Allied Textile 7.4p
80C 12% % Lins. Ln. 80/2/17 8.125pc.
Bark of Weles 12% & Lins. Ln. 86/87 6.78pc.
Bacter International 160th

Bournamouth: 3 District Water: 3.51 175pc.
175pc.
5 Ulbuggs 4.1p Cattypes 61p % 1st Pri. 2.278p Co. 10% Pri. 5p Gentral Motor Auctions 2.26p Chester Waterworks 4.2% Ord. 2 1p Do. 3.19% Pri. 1.372p Crest Nicholson 51p % Grav. Pri. 2.78p De Morgan 1.375p Dewhurst 7.5p Dewhurst 7.5p Do. "A" NV. 1.5p Dewhurd 1.5p

Do. "A" N.V. 1.5p

Bast Surrey Water 5.425% Prt. 1.937205p

Bastbourne Water 5.5 % Prt. 1996 4.1675p

Essime House 7.25p Prt. 3.255p

Fleming Far Essiern Inv. 41<sub>2</sub>% Prt. 1.575p

Do. 5% Prt. 1.75p

Fleming High Income Inv. 1.2p

Forminater 5.5p

Germore American Securities 9.5p

Garrinore American Securities 0.5p General Core Inv. 8.48p Gopeng Berhad 1cts Hambros 7.6% Cnv. Prl. 3.78p Hamilton OH 48.78cts Hampson industries Cnv. Prl. 91/2003 3.28p Higking Pentesset 0.5p Higking Pentesset 0.5p Jarvis 0.8539
Lovelt (Y.J) 5.759
Lovelt (Y.J) 5.759
Love (Wm) 5.754 Grv. Prl. 3.375p
M. L. 680
Meanuelt Communication 6.5p
Menzies (John) 3.85p
New Zesland Inv. 1.5p
Partvery 2.25p
Part 9 1,74 1st Mtg. Deb. 2011 4.9375pc,
HCO 5.4p
Hchmansworth 2.444

PCO 5.9 Pt. 1.4p De. 4% Pri. 1.4p De. 4% Deb. 2pc. De. 7½ % Deb. 91/83 34;pe. Seanfronte 5.75% Crv. Pri. 2.976p Sears 4 Resbuck Mod. Staver 16. Wight 0.75p Surron District Water 4.9% Pri. 2.46p De 7% 3.5p Temen 5.75% Crv. Pri. 2003 4.28p Unifiedh 4.2p Unifiedh 4.2p Unifiedh 4.2p

TOMOFIROW COMPANY MEETINGS-Upine (Afred), Cheser Intl. Hotel, Ches-McAighne (Afred), Chester Intl. Hotel, Chester, 12.16
Throgmorion Trust. Berbican Centre, ILC., 12.00 Arley Bodycote Inti. Boxmore Inti. City Centre Resi

Worcester
Interfense,
A.B. Electronic
A.B. Lectronic
Aur London Intl.
Bennett & Pountpin
Bennett (Henry)
TIP Europe
DWITTEND & IMTEREST PAYMENTSASDA 1.56

DIVIDINO & UTDEST PARAMETER
Astrospece Engineering 1.56p
Burtomwood Brewsey 7% Prf. 2.45p
Folkestone & District Wester T% Ord. 8.5pc
Do. 4.5% Ord 2.45pc
Do. 3.5% Ord 1.75pc
Gesterine 6p
Saccord Alliance 11p Gesterner 6p Second Alliance 11p Do. 412 Prl. 1 675p Do. 412% Prf. 1 5759
Similar (William) 1.5p
Smith (W.M.) 4p
Oo "B" Orc. 0 8p
Taveners 1.5p
Taveners 1.5p
Tavegmorton Dual Trust 2.75p
Throgmorton Trust 2.38p
Usher (Frank) 2p
Wood (John D.) 1.5p

SWEDEN The Financial Times proposes to publish this survey on:

4th July 1990

For a full editorial systopus and advertisement details, please contact

Chris Schaunsing or Gillan King Chie Schramming or Gillian King
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or write to hum at: Number One Southwark Bridge
London SE! 9HL

FINANCIALTIMES

### DIARY DATES

problems in cities." Question to Government on action to reduce illiteracy among school-leavers. Select committees: Foreign Affairs: subject, status of the two Germanies. Witnesses: Mr Douglas Hurd, Foreign and Commonwealth Secretary, and officials. (Room 6, 10 a.m.) Trade and Industry: subject, trade with EFTA. Witnesses: DTI officials. (Room 15, 10.45

Energy - subject: Mining sub-sidence. Witnesses: British Coal and Department of Energy officials. (Room 8, 11

Public Accounts: subject, revenue account matters. Witness: Chairman of the Inland Revenue. (Room 16, 4.15 p.m.) Social Services: subject, com-munity care. Witnesses: Mr Ian Grist, Welsh Under-Secretary, and Association of County Councils. (Room 6, 4.15 p.m.) Committee on a private bill; Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

Thursday Commons: Adjournment

Lords: Criminal Justice (International Co-operation) Bill, Commons amendments. Contracts (Applicable Law) Bill, report.

Debate on the European

Communities Committee reports on border controls.

Aviation and Maritime Security Bill, second reading.

THURSDAY APRIL 8

CDMPANY METTMOS

Anglo & Overseas Trust, Barber-Surgeons
Hall, Wood Street, E.C., 12.00

Ansbacher (Henry), Priory House, E.C., 11.45

Cneel Nicholson, Rumymede Hotel, ligham,
Surrey, 12.00

Grahams Pintoul Innestment Trust, General
Council of Shipping, 30-32 St. Mary Ane,
E., 12.30

Sadgwick, Chauser Thestre, Sedgwick Centre, E., 12.00

Yalverton Investments, The Weetbury Hotel,

revertor Investments, The Weetbury Hotal, Conduit Street, Mayleir, W., 11.00 BOARD MEETINGS. **Queens Most Houses** 

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Trade fairs and exhibitions: UK

Equipment Exhibition - ICE April 2-16 International Festival of Sci-(01-637 2400) ence & Technology (031-228 Wembley Conference Centre International Health Food

April 3-5 International Conveyors & Exhibition - HELFEX (0483 Conveyor Components Exhibi-tion - CONVEYOREX (0895 April 9-11 Cable and Satellite Exhibition Harrogate (01-486 1951)

Fashion Fabrex - FABREX (01-244 6433) Olympia

International Boat Show (0752 International Construction

Overseas exhibitions

International Hotel and Cater-ing Exhibition — INTERGAS-TRA (01-236 0911) (until April 5) Stuttgart April 3- April 5 Packaging Exhibition - PAK-EXPO (Dublin 884939)

April 4-7 Electronics Industry Exhibi-tions – EIE/SMT/ECA (0494 Hong Kong

April 5-8 International Telecommunication, Electrical, Electronic, Computer Systems Technology Exhibition and Conference (01-639 7265)

Bangkok April 9-11 Eurofreight Exhibition and Conference (01-642 7688) April 17-20

NEC, Birmingham

Bristol

International Gifts and Houseware Fair (01-828 1661) Hong Kong April 18-21 International Electronic Prok-aging Show – INTERNEPCON CHINA (01-940 3777)

April 24-26 International Clothing Textiles Trade Fair - INTERSTOFF

### **Business and management conferences**

Dublin

Financial Times Conferences: Venture Forum Europe '90 Hotel Inter-Continental,

Paris April 5-6 Frost and Sullivan: Informa-tion technology — Advanced packet switching (01-780 3438)

April 6 CBI Conferences: The lawyer and you - in-house or external legal services? (01-379 7400) Centre Point, London April 9-13

Management Centre Europe: Competitive marketing strategies (Brussels 32 2 516 19 11)

BDPA: The Food Bill, Food

Hygiene and Catering Disposables (01-437 0678)

BIS CAP International: European ink jet printing conference — Growth prospects in the 1990s (Amsterdam

31-20-26-88-68) April 18-19 National Economic Davelop-ment Office: Go public the opening up of the public sector market place in the 1990s (01-217 4056) Queen Elizabeth II Confer-

ence Centre, London April 19 Tolley Conferences: What every pension fund trustee should know (01-680 5682)

Areyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

### PUBLIC NOTICES

FLASH TRASH LIMITED IN THE MATTER OF THE INSOLVENCY

ACT 1986

Notice at hereby given, pursuant to Sec-tion 48 of the Insolvency Act 1986, that a Meeding of the Creditors of the above-named Company will be laid at the Creat Hossi, 641 Denstable Road, Laton, Bedfordshire on Edward at 10.00 mm for the un at 1000 cm for the purposes to farmer half before it the report prepared by the Jeint Administrative Receivers in socordance with the said section and, if thought fit, appointing a Committee. Creditors whose calema are wholly secured are not entitled to attend or vote at the Meeting. Creditors who are partly secured may only wat is cospect of the balance of the semanty, as estimated by them. A creditor in respect of a deet due on, or secured by a bill of exchange or processory may must treat the Hability of any person who is liable on the ball antecedently to the Company as a Security held by him (unites that person is subject to a bankruptsy order or in liquidation). Creditors wishing, to your at above the above Meeting must dedge a or in inquication). Creators wasting to write at the above Meeting must lodge a written statement of their claims with us at Aquis Court, 31 Fishpool Street, 5t Albam, Hentfordshire AL3 4RF no later

Albam, Hertfordthire AL3 4RF no later than 12 noon on 5 April 1990. Forms of proxy, if intended to be used, must be lodged with us that time.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY Notice is hereby given that the ANNUAL GENERAL MEETING of the Society will be hold in the SOCI-BIT'S HEAD OFFICE No. 28 ST. ANDREW SQUARE, EDINBURGH to Thereday, 19th April 1990 at 12:30 p.m. to consider the Accounts and Balance Sheet and Reports of the Directors and the Anditor, to elect Directors, to determine the remuneration to be paid to the Directors and the Anditor.

CORRECTED NOTICE CITY OF MONTREAL

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NEW - 2 A Selection of the

SEAND LOCALITY

## Never the Sinner

PLAYHOUSE THEATRE

much missed theatre beneath trolling such impulsive physithe Off-Stage Bookshop in Chalk Farm mounted the Brit desire or weakness, he suffers ish première of John Logan's from looking considerably 1985 play about the Leopold older than the historical teenand Loeb murder case. In the cramped intimacy of the base. ment the production exercised. a baleful spell, allowing the actors' subtlest shades to tell. and winning an award for its

In association with the Northcott, Exeter, a new production has opened near Charing Cross, a welcome return for an endlessly absorbing topic. The two scions of wealthy Chicago society who in 1924 murdered a boy as an intellectual and emotional exercise have inspired other works: notably Patrick Hamilton's play Rope, filmed by Hitchcock, and Richard Fleischer's film Compul-sion in which Orson Welles appeared as the great advocate Clarence Darrow. The study of the two

would-be Nietzschean supermen has the fascination of watching a snake consume its prey - detached, cold, emo-tionless. Their victim was cho-sen by chance; their behaviour in court was callously indifferent; they apparently had no motive beyond detached curi-osity. Geoff Bullen's production lays slightly greater emphasis on the sexual link tween them than I remember in the fringe production. There all was so delicately implied as to leave much uncertain. The chief difference lies in the per-formance of Nathan Leopold, small, hyper-intelligent, sexu-

er.ces

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- 10 - 10 - 10 - 10

ally exacting. In his British debut Denis O'Hare recreates the role he played in the original production. Even the prim, buttoned-up and icily superior Leopold comes over more flamboyantly in the larger house: sullenly smonldering, lisping, just a hint of the faggoty ste

COTTESLOE THEATRE

The arrival of Nancy Meckler's

exquisite production at the National Theatre is an event

for the record: a rare act of

homage by the mainstream,

subsidised establishment to the fringe theatre which has fed it

so much over the years. By

taking the product in its entirety, with only minimal alterations to the original

Shared Experience and Soho

Theatre Company team which premiered it at Sobo Poly last

summer, the National acknowl-

edges the quality of the

fringe's continuing advocacy of new work in a heartening way. The play in question is a

moody, contemplative piece by a 60-year-old Obje Award win-

Fornes, who has developed

from workshops in New York.

something with a distinctly

Bostonian feel. Henry James

himself could be turning the

pages on this novelistic por-

trait of an early 20th century

marriage between a benign

elderly businessman and a

tremulous young girl whose

sexuality glows red beneath her virginal white frocks.

Fornes constructs the first

act of her play around the withholding of information: who is Marion? Why has she

married someone so old? And,

- have they ever had - sex? Juster's awe-struck delight at

her pregnancy in the second act makes it clear that they must do, although his embraces are platonic and we

suspect, with a suspicion that

to put it bluntly, do they have

Abingdon Square

Three years ago the brave and rectype to him, carefully concal movements as might betray ager (and older than his partner in crime, the sunny and sportive Richard Loeb whom Ben Daniels invests with careless charm if not perhaps the ideal golden boy looks). For all its technical power the charac-terisation holds no mystery or

> The piece works well as a fluid mixture of past and pres-ent in the framework of the courtroom where the boys stand trial. Sean Cavanagh's expressionistic set, black panelling receding in exaggerated perspective, is bathed in film noir shadows by Mick Hughes' lighting. The set piece of the murder is chillingly effective: mimed, chairs standing in for the car, Babe Leopold wiping invisible spurts of blood from his face as Dickie strikes and strikes at an invisible

> The second act deals with the legal process: the generally forgotten plea of guilty that deprived the prosecution of a jury and turned the trial into a hearing merely to decide on punishment. Great chances for both prosecution - Julian Glover bringing immense con-viction and dignity to an impassioned plea for the death penalty – and defence. Joss Ackland is Darrow, a

shambling, humanistic orang-utan, his speech mixing public relations (Illinois to be seen to hang two boys?) and a helpless humanity: Fine performances, a gripping story, and a wonder-ful ironic symmetry that ends with the boys' first meeting at a cocktail party, bored and ready for mischief. An intelligent import from the west country to the West End.

the father of the child is a gla-

zier with whom she has

mysteries emerges an almost

unbearable domestic reality

which enfolds with a delicate resonance all the contradic-

tions of two basically good peo-

ple locked in a disestrous mis-match. Marion's relationship

with her stepeon, the man she

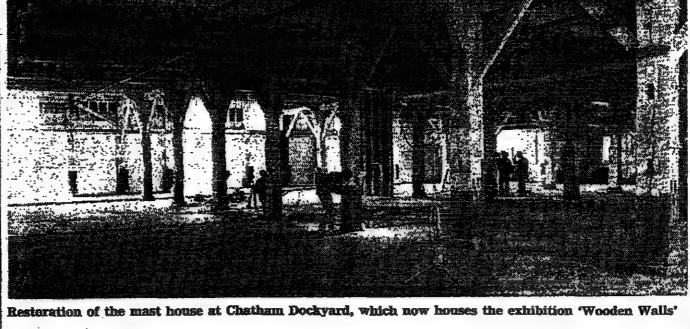
should have married, carries

an innocent empathy that in the circumstances is deeply ironic; her husband's later

From these half-solved

the briefest of encounters.

Martin Hoyle



ARCHITECTURE

## Take a voyage into the past

gible melancholy about the Medway. Once the safe anchorage of the British Fleet as it lay off Chatham, today the river washes past the empty Dockyard where there are only naval ghosts left with their memories. As the train trun-dles down from London through Gravesend and Rochester it is hard to believe that you are in the prosperous south-east. The powerful keep of the castle at Rochester is a reminder of the old importance of the London/Dover road as the route to continental Europe. But the castle shares the view with the car breakers' yards and the ugly tin sheds of the retail revolution. There is a lurking suspicion that what life there is in the Medway towns may yet be undermined

by the advent of the Channel The Government decision to close the Royal Dockyard in 1984 left one of the finest collections of early naval and dockyard buildings in the country without a very certain future. There was no question of demolition and a Chatham

Historic Dockyard Trust was established with responsibility for 80 acres of the 420-acre site. The Government passed to the Trust something of a poi-soned chalice. Although the freehold of the 80 acres passed into their hands with the sum of just over \$11m, there was clearly going to be a shortfall as the historic structures were in need of major repairs and restoration.

For years it had been impossible for anyone to see behind the walls of the Dockyard, but

today all that has changed and serious efforts are being made to seduce the visitor and find ways of funding the complex and expensive restoration. Once you have escaped from the modern squalors of the town centre of Chatham it is a pleasure to slip through the sham fortifications of the main gate, passing beneath the brightly painted relief of the Royal Arms.

What you see is the 18th century nucleus of the yards and their attendant premises. It was Daniel Defoe who was so impressed when he visited in 1720: "The buildings here are like the ships themselves, surprisingly large, and in the several kinds beautiful." Last week an important attrac-

tion opened at the dockyard. In the 18th century mast and mould house a permanent

are about the last complete group left in the City of London. It has always been puzzling why Mr Palumbo has consistently refused to erect his new building on a less vulnerable site

in the City. It is now clear that refurbishment is the right solution, instead of the proposed James Stirling design which Prince Charles

exhibition entitled Wooden Walls has been installed to tell the story of the creation of the great wooden ships of the Brith navy. It is one of the latest "heritage experiences" where you are invited to imagine yourself going back in time to enjoy a day in the dockyard in the company of a 15-year-old apprentice shipwright in the

year 1758.

To the clang of bells you are "transported" into a dark back street of 18th century Chatham. Then you travel into the dockyard, meeting the naval Commissioners and, with the aid of the recent science of animatronics (the mobilsation of wax dummies so that they appear to move and talk), you learn about 18th century work-

ing life.

I was staggered by the scale and impressive authenticity of the restored building. The architects Caroe and Martin have skilfully kept the sense of a functional and disciplined timber framed building: the result is utterly authentic and has a powerful atmosphere. With an estimated forecast income of £2.9m and some 95.500 visitors last year the trust has achieved a great deal. But the huge cost of restoring and maintaining all the monumental buildings is beyond their resources and demands more Government help. In fact, it is too easy for the Government to pass on their responsibilities for past neglect. The naval heritage and our debt to Chatham and the great ships of the line is a national one.

Colin Amery

### The fine set of 19th Century commercial buildings that Mr Palumbo wanted to destroy

Worldes Blis

reaction to the discovery that she has taken a lover is uncompromising but also compassionate. It is not cruelty but hopelessness that fuels his anger and keeps it stoked even after he has been confined to a The BBC Symphony Orchestra under Ronald Zollman offered wheelchair by an apoplectic stroke; likewise, it is not jealon Friday a splendid proousy or disapproval that makes gramme of Stravinsky and Goehr, and, at its centre, perhis son leave home, but an impossible sympathy for both Lucy Weller's cool white haps the hardest nut Peter design sets the characters in ice from which they emerge in brief, revealing tableaux which Maxwell Davies has ever offered his listeners for crack-ing - Worldes Blis. The per-formers turned the work into a triumph: even if the "Max"

live through what is half-said or not said at all. Annabelle or not said at all. Annabelle Apsion gives an remarkable account of sexuality sublimated through schoolgirl imaginings, her inner ardour proscribed by a daughterly affection for Philip Voss's decivity libeble fuster and a second control of the second and account libeble fuster and a second account libeble fuster and a second account libeble fuster and a second account libeble fuster. deeply likable Juster, and a sisterly confidence in his son, Michael, played with a finely judged intensity by Pearce Quigley.

Claire Armitstead

The appeal, fought nobly by Save Britain's Heritage, now puts the onus for consistency of conservation policy on Mr Ridley's successor as described as looking like "a 1930s wireless."

It is widely known that Mr Patten, when asked about his predecessor's decision, has said Environment Secretary, Mr Chris Patten.

At the time of Mr Ridley's consent, it always looked as though such a radical policy change was based on little more than droit du seigneur. The Appeal Court judges seem to agree. They ruled that Mr Ridley failed to give adequate reasons for his radical departure from a policy which clearly stated that demolition of a listed building should not be given consent unless that it was very much an aesthetic one. The minister has recently strengthened a planning guidance note sent to all local authorities, urging them not to become involved in aes-thetic decisions. It is, therefore, unlikely that Mr Patten will take the matter any further, and, after considering the judgment, he is likely to be advised to ask Mr Palumbo to abide by the conservation legislation so resoundingly reinforced by the Court of Appeal.

building should not be given consent unless every effort has been made to preserve it.

It looks as though the future of listed buildings

in conservation areas may be made safer by the decision of the three Appeal Court judges to overturn Mr Nicholas Ridley's consent to allow Mr Peter Palumbo to knock down eight listed buildings at the heart of the City of London.

not just long but unbroken, made mainly of thinly scored mance, made clear its singular difficulty in the canon of his material moving at a pace of extreme slowness, which is eventually disrupted by brief,

Justinian, Page 38

But on Friday I was utterly persuaded that in every bar this is music that has to be the way it is. The experience it attempts to capture, a kind of spiritual "coming-into-being" against powerful negative forces (symbolised by the plainchant theme embedded in the fabric of the music and only emerging in full toward the end), allowed Maxwell Davies no alternatives. The bareness of the first para-graphs – strings prodded and punctuated by trombone – creates a climate of bleak urgency that wills the listener to be at once patient and expectant; and because Zoll-

man and the BBC players were

able to sustain every note with a sense of purpose, the vast, slow tracts of space and time were filled with a kind of spiritual intensity growing ever

When it came, the violence is terrifying but necessary, and dramatically exact in placing. Worldes Blis was, as the composer himself reminded us, both the finale to his Rypres. both the finale to his Expressionist period and the dark before the dawn of his Orkney inspired compositions. It is obviously a work of charged personal significance. If the absence of walkers-out and the impassioned closing ovation are anything to go by, on Friday it was made to mean much to an audience as well.

Max Loppert

### **SPONSORSHIP**

## Behind the Curtain

Last month the London Mozart Players played a standing room only concert in Warsaw thanks to the City-based accountants Moore Stephens which provided the £6,000 needed to make the trip possible for the LMP.

This month the Royal Opera House's new production of Boris Godunov goes on loan to the Kirov Opera in Leningrad, where it was first performed in 1874, with Barclay's Bank con-tributing the £50,000, which makes this sudden transfer

In June in Kiev, English National Opera will perform at a leading British arts festival, courtesy of Rank Xerox which is putting up over £200,000, with other aid coming from Midland Bank, British Gas and a mysterious private donor - yes, they do exist - who is contributing £100,000, which is not yet tax deductible. The arts are proving an excellent bridgehead in opening up East-ern Europe, indeed the entire world, to British businessmen.

Warsaw and Kiev were oiled by the British Council, which has a much increased budget of £1m a year for the next three years to invest in arts ventures by British companies abroad. Indeed, at the Glasgow Conference on "Arts Without Frontiers," the Council was appealing to the assembled arts delegates to come to it for aid rather than to the insular Arts Council.

However it will be expected to trail a corporate sponsor along, too, like the Royal National Theatre with Guinness, and the RSC with Royal Insurance, both backing European tours this year. For relatively little money British companies can entertain key overseas politicians, prospec-tive clients, suppliers, etc, at an artistic event which, given the prestige of British arts companies abroad, is likely to be a sell-out success.

This is particularly true in Eastern Europe, where visiting arts tend to be more appreciated than in the West and where business is often sealed through personal contacts. The Moore Stephens evening in Warsaw was typical. It has been established there since last year, with the task of improving local accounting efficiency, and it used the con-cert to thank all those involved in its launch and to meet new contacts.

The sum involved was naltry, but without it the London Mozart Players could not have accepted the invitation to perform in Warsaw. Moore Stephens intends to pursue the relationship with the LMP in the UK and could be a useful patron of a troupe of musicians which suffers from its success. By lining up Croydon Council as the supplier of its offices and the buyer of community work from the players, and local company Nestlé as a major backer, the LMP has suffered a frozen Arts Council grant.

For Jane Glover, conductor and artistic director of the LMP, the after concert reception was yet another reminder of the price that artists have to pay for corporate aid. Meeting the client, and the client's friends, after a strenuous performance is now accepted as part of the job and Jane Glover tackles it professionally. But there is a danger that the time spent on securing sponsorship, and then servicing it, is starting to become an unbearable strain for those creative artists who double up as administrators.

The Ashmolean Museum in Oxford's £3.5m appeal — £2.5m of which is to shore it up against future crises through an endowment fund while £1m. goes towards instant renova-tion – slowly prospers, thanks to the nostalgic memories of

pany AKZO is the latest unlikely benefactor, putting up £25,000, which, because it is a first time sponsor, is matched by £25,000 from the Business

Sponsorship Incentive Scheme. The introduction comes through the advertising agency of the chemical company (it markets Sandtex paint in the UK) which, looking for a corporate symbol, fastened on the Greek relief of a man with out-stretched hands which is in the museum. It was remembered from an agency director's university days. As a thank you AKZO has agreed to decorate the Randolph gallery, which holds one of the prizes of the Ashmolean, the Arundel mar-

So far the Museum has attracted £900,000 to its appeal in little over a year, with most of the money going towards smartening up its appearance. The Clore Foundation has contributed £150,000, and an American Professor, Dietrich von Bothmer, with his wife, £200,000, to rennovate the sculpture gallery. Another Oxonian, the Australian newspaper magnate James Fairfax, has put up £50,000 to revitalise the Dutch still lifes and Michael Marks £30,000 for the Nubian gallery. Arthur Ander-son, traditional supporters of the arts, which annually seeks new recruits at Oxford, has also contributed £30,000.

The privatised utilities are proving generous sponsors of the arts. British Gas, in particular, is popping up every-where. Last week it announced a three-year backing for the National Youth Jazz Orchestra. for an undisclosed sum, which probably works out around £45,000. This is part of an annual £750.000 package which includes the English National Opera's community project,"A small green space;" London Festival Orchestra's summer festival of music in cathedrals; and aid for Ballet Central. British Gas's sponsorships always include a heavy touring element

British Telecom is another active arts backer, but generally leaves the initiatives to its regional networks. The south western wing has just announced a £25,000 support for Orchard Theatre, the local touring company.

The Japanese Festival 1991 is on schedule to be the most corporately funded arts and cultural event ever held in the UK. It will cost £12m and although the Japanese Government is a big contributor, Japanese business is expected to put up at least £4m. However, one of the first companies to actually commmit cash is the Midland Bank, which has made available £300,000 towards the £1m already gathered in to help organise the event.

The fact that sponsorships never continue for ever was illustrated when Holsten Brewery announced that it was withdrawing its £100,000 backing for the London International Comedy Festival, which was schduled for this month. Holsten cited unhappiness over the organisation of the event.

which depends on sponsorship is the Accademia Italiana in Kensington. It opened last May with the object of promoting Italian art and culture in the UK. Most of the exhibitions are sponsored by Italian companies but its lavish premises in Rutland Gate are provided rent free by Glaxo. The major show planned for the autumn, concentrating on Futurist paintings of man's conqest of the air, will be sponsored by Alit-alia, which is also paying for a new motorised hanging system at the Accademia.

**Antony Thorncroft** 

## NEW - 2 APRIL '90

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FINANCIAL TIMES

### ARTS GUIDE

Festival achieves nothing else, this act of rehabilitation

should give the organisers jus-

Worldes Blis, a "motet for orchestra," had a notorious first performance at the 1989

Proms. It was conducted by the

composer, and greeted by a mighty audience exodus dur-

ing its 40-or-so-minute course; and since then it has been very seldom revived. The piece is

tifiable cause for pride.

MUSIC London

Chamber Orchestra of Europe conducted by Roger Norrington and Heinz Holliger. Short season includes Haydn, Beethoven, Shostakovich, Beethoven and Schumann (Sun-Sun). Berbican Hall (Ris Seat).

**Paris** Orchestre Colonne conducted

by Bertrand de Billy, David Lively (piano). Roussel, Tchaikovsky, Dvorak (Mon) Saile Playel (45638873). Gwendolyn Bradley recital (Mon) Gwendayn breach (1923).
Salle Gaveau (4523030).
Gerard Poulet (violin). Eugene
Ysaye, J.S. Bach, Bartok (Tue)
L'auditorium des Halles (40082838). Orchestre de Paris conducted

by Claus Peter Flor, François-Rene Duchable, piano. Weber, Schumann, Tchaikovsky (Tue, Wed) Saile Pleyel (45630796). Madrigalists from Prague Gal-lus, Monteverdi, Martinu (Tue) Opera Comique (42868883).

Berlin Philharmonic Quartet:

Mozart, Dvorak, Schubert (Wed)

Sulle Gareau (46622030). Alexis Weissenberg (piano). Franck, Schubert, Brahms, Scriebine (Wed) Théâtre des Champs Elysées (47203637).

### Amsterdam

Netherlands Philharmonic with the Amsterdam Toonkunst Choir and soloists, Harmut Haenchen conducting Verdi Requiem (Thur). Concertgebouw (718 845). Valdimir Ashkenazy. Brahms,

and the first first of the second contract of

Schumann (Sun). Concertgebouw

fast-moving contrasts of fero-

cious violence. As a test of

audience and orchestral sta-

mina alike Worldes Blis can

have few thornier rivals in the

history of Western concert

The great thing about Fri-

day's concert was that it put to

flight the notion that because

this music is difficult, and "extreme" in its style, character, and purpose, it is therefore a failure. In the nature of things Worldes Blis will not be a work one wants to hear very

often (the composer, who gave a disarmingly frank spoken

introduction to the perfor-

Direcht Oratorio Society under Johan van de Camp. Bach St Matthew Passion (Tue). Vredenburg (31 45 44). The Choir and Baroque Orches-tra of the Netherlands Bach Soci-

ety: annual series of perfor-mances of Bach St Matthew Passion, conducted this year by the Belgian counter-tenor Rene Jacobs (Wed). Vredenburg (31 45 44). Also in the traditional setting of Grote Kerk (Thur) (31, 93, 53).

Brussele

The Camerala European con-ducted by Octavian Anghel with soloists performs Pergolesi's Su-but Mater and La Serva Padrona. Rumania Benedit Concert. (Wed). Théâtre Royal de la Monnaie.

Sonig Tchakerian (violin) and G. Battista Rigon (piano) playing sonatas by Beethoven and Brahms and de Sarasate's Zingo-resca (Wed). Conservatorio G. Verdi. (76001755).

Salvatore Accardo conducting Schumann, Dvorak and Weber, with Maria Joso Pires (piano) (Mon, Tues). Auditorium in via della Conciliazione (6541044). Dimitri Sitkovetsky (violin) and Gerhard Oppitz (piano) playing Schumann, Strauss, Janacek and Schubert (Wed.) Teatro

## Madrid

Amsterdam Bachsolisten with Paul Verheil (flute) (Tue, Wed). Bach. Auditorio Nacional de

husica (337 01 00).

Eusemble Berthoven. Buethoven programme (Tues). Auditorio Nacional de Musica (337 01 00).

La Chapelle Royal de Paris conducted by Philippe Herrewghe.

Across Mellon (Sourano). Par Vol. Agnes Mellon (soprano), Per Vol-lestad (baritone), (Thur), Audito-rio Nacional de Musica (337 01

00). Guillermo Gonzalez plano recital. Carlos Cruz de Castro, Schubert, Bartok, Albeniz (Thur). Auditorio Nacional de Musica (337 01 00).

### Barcelona

Stuttgarter Kammerurchester, Gachinger Kamtorei Stuttgart conducted by Helmuth Rilling. Bach (Wed). Palau de la Musica Catalana (317 57 57). Orquestra Ciutat de Barcelo conducted by Franz-Paul Decker, with Paul Tortelier (cello). Schoenberg, Tortelier, Haydn, Strauss (Fri). Palau de la Musica Catalana (301 77 75).

### New York Handel and Haydn Society

Orchestra and Chorus. Christo-pher Hogwood conducting, Bach (Mon). Avery Fisher Hall (874 Atlanta Symphony Orchestra conducted by Yoel Levi with Shlomo Mintz (violin). Barber,

Brahms, Stravinsky (Wed). Carnegic Hall (247 7800). New York Philharmonic conducted by Charles Dutoit with Rudolf Buchbinder (piano). Martin, Rayel, Beethoven (Tue);

## Charles Dutoit conducting with Joshua Bell (violin). Stravinsky, Prokofiev, Shostakovich (Thur). Avery Fisher Hall (874 6770).

March 30-April 5

Washington National Symphony Orchestra conducted by Hugh Wolff with Stephen Hough (piano). Haydn, Beethoven, Lutoslawski (Thur). Kennedy Center Concert Hall

(467 4600). Mescore Philharmonic conducted by Dmitri Kitaenko with Vladimir Viardo (piano). Mussorgsky, Prokoflev, Rachmaninov (Wed). Kennedy Center Concert Hall

### Chicago

Ensemble a Corde. Shostakovich, Prokofiev, Dvorak (Wed). Orchestra Hall (435 6666).

Japan Philharmonic Orchestra, conducted by Kenichiroh Kobay-ashi, with Hiroko Nakamura (piano). Grieg, Tchaikovsky. (Tues). Suntory Hall (234 5911). Mstislav Rostropovich (cello) with Lambert Orkis (plano). Brahms, Bach, Rachmaninov. Shostakovich (Wed). Suntory Hall (289 9999). Rmma Kirkby (soprano), Anthony Rooley (lute). 17th cen-tury arie antiche. Tsuda Hall (Wed) and Ishibashi Memorial Hall (Thur). (403 5871). Tokyo Metropolitan Symphony Orchestra, conducted by Kazu-hiko Komatsu. Music by the Jap-

anese composer Koichi Kishi. Tokyo Bunka Kaikan (Thur) (822

## SALEROOM

### Phillips goes for a record This week sees the spring sales and to attract works for sale it

in London of major Impressionist and Modern paintings. Tra-ditionally they do not scale the peaks of the late autumn and the summer auctions but this year they are above average. reflecting the good paintings enticed on to the market by a succession of record prices. Christie's kicks off tonight

with a very solid auction, including a £3m Joan Miró; a Monet view of Amsterdam which could make even more; and a Degas self portrait painted when he was 22. Then tomorrow evening Sotheby's holds the stage with a very good Chagall, which might sell for £4m and a rare landscape with figures by le Douanier Rousseau which carries a £1m top estimate. On Wednesday it offers 39 sculptures of animals by Rembrandt Bugatti which should make the actor Alain Delon more than £3m richer.

But perhaps most interest will centre on Phillips, which on Wednesday evening makes one more attempt to establish itself as a serious player in this most profitable sector of the art market. Phillips has always been a very poor third to Soth-eby's and Christie's in Impressionist and 20th century art, has either been forced to offer wildly optimistic estimates of their likely value or else accept art which dezlers are anxious to off-load.

But now a new team of Tessa Helfet and Peter Romilly has taken over and they are optimistic that the auction of Modern Masters on Wednesday might top £3m, a modest sum but a record for Phillips. They have been fortunate to secure an important American collection assembled by the late Ann Solway which includes the largest group of small abstracts by the Czech born but Paris based Frank Kupka, who has just enjoyed a retrospective at the Museum of Modern Art in Paris.

Phillips now gives very conservative estimates, with some of the Kupkas carrying forecasts of under £10,000. The top price in the auction is likely to be around £250,000, paid for a small Dali. "La femme poisson," which has not been seen since 1949. Other "lost" works are two small oils by Max Ernst, bought at the International Surrealist Exhibition in 1936 and now re-emerging with

estimates of up to £150,000. Antony Thorncroft

## FINANCIAL TIMES

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Monday April 2 1990

## In or out of Europe

CHANCELLOR Helmut Kohl left no room for doubt when he visited Britain last week. He is a committed European, determined to press ahead at speed with economic and political union. His commitment may be in part derived from the imperatives of German domestic politics, but it is principally inspired by a sense of recent European history. Mr Kohl is well aware of the possible consequences of creating a neutral Germany, economically power ful yet politically without anchor, in central Europe. He is therefore a strong believer in both Nato and the European Community as institutions to which a united Germany should adhere.

A Germany that felt isolated, or ostracised, or free of responsibility towards greater European institutions, is not on the Kohl agenda: a Germany established as a pillar of those insti-tutions is. Since President François Mitterrand is determined that France should press ahead on the same lines, Britain is confronted with a familiar question: to join, or

not to join? The response of the British Government so far has been to procrastinate. The Prime Minister has sought to divert attention from plans to strengthen the EC by producing a proposal for a "grand alliance for democracy" stretching from the Atlantic to the Urals. Its outline, in a speech last Thursday, sounded like a scheme for a lukewarm revival of the League of Nations. The Foreign Secretary, Mr Douglas Hurd, has drawn attention to the many tasks facing the EC. not least of which is the completion of the internal market. This will not do. There are hard choices to be made, many arising before the next election. These reach beyond the well-worn question of when Britain should join the exchange rate mechanism of the European monetary sysout much reference to British opinion, especially if Britain remains outside the ERM.

### Central bank

Mr Kohl is perfectly content to see a European central bank, though only one on the model of the Bundesbank and, preferably, sited in Frankfurt. He will also demand convergent economic policies from the member states. The issue of how much control there should be over national budgets was debated in Ireland at the weekend and will be debated again and again before the next British election. Meanwhile, proposals for the politi-cal integration of the EC will also be brought forward by the Germans and the French.

### Power distribution

Mrs Thatcher's Gaullist distaste for such plans is well-known. The question is whether her approach can make sense in the future. If she accepts the inevitable she may be able to contribute to shaping the structure of a future EC constitution, especially in two important areas: the distribution of power between the Council of Ministers, national parliaments and supra-national bodies, and the division of responsibility between Brus-sels and the member states. If not, the French and the Germans, followed by the smaller nations, will go ahead anyway.

It is unfortunate that this challenge has arisen at a time when Britain is ill-equipped to meet it. The Conservative Government is now nearly 11 years old. It has behaved over the past year like a tired administration; over the past few months it has given the appearance of disintegration. This is not only a question of the Prime Minister's position. She will probably retain her leadership of the Conservative Party, and thus her occupancy of No 10 Downing Street until the next election, and perhaps beyond that. She showed once again, at a party meeting in Cheltenham on Saturday, that she is a formidable politician well able to rally the troops.

But her Cabinet now pos sesses few generalisers, able to give broadly-based advice on strategy as Lord Whitehall and Mr Nigel Lawson did when they were in office. Mr Hurd and the new Chancellor, Mr John Major, are doing their best, but they carry insufficient weight to move the Prime Minister. Mr Kohl's message will take a while to sink in; the hope must be that when it does Mrs Thatcher herself will perceive the need for a change of

## **Policy doomed** to failure

EVER since he took office in 1980 as Prime Minister of newly-independent Zimbabwe, Mr Robert Mugabe has made no secret of his intention to create a one-party socialist state. Nelther the failures of similar systems in black Africa, nor developments in the Soviet Union and eastern Europe, have stopped his blinkered pursuit of a demonstrably llawed objective.

Although Mr Mugabe has declared that his victory in last week's election gives him a mandate to pursue this objective, a closer look at the outcome should at least give him pause for thought. Meanwhile Western donors and aid insti-tutions should be making it clear to Mr Mugabe that the continuation of their economic support is dependent on what he does next.

As expected, the ruling Zanu

(PF) won all but a handful of the parliamentary seats at stake, while Mr Mugabe easily defeated his challenger for the presidency, Mr Edgar Tekere, leader of the Zimbabwe Unity Movement (Zum). It is, how-

ever, a hollow victory. The campaign itself was marred by government intimi-dation of the opposition. It prompted a local civil rights group, the Catholic Commission for Justice and Peace, to warn that the violence was "calling into question the freeness and fairness of the elec-tion." The country's radio, television and daily newspapers served the government's cause. ruling party than they were in the era of white minority rule. Given these circumstances, it is remarkable that the oppo-

sition received as much sup-port as it did, winning around 16 per cent of the votes cast. It would almost certainly have been larger were it not for the fact that Zimbabwe is ill-served by the calibre of the opposition leadership.

### One-party state

Until the emergence of Mr Tekere, Zimbabwe was becom-ing a de facto if not a de jure one-party state. Mr Joshua Nkomo and his Zapu party signed a unity agreement with Zanu (PF) in 1988, the result more of coercion than persuasion. The field was thus left clear to Mr Tekere, a former

minister in the first Zanu (PF) cabinet and close associate of Mr Mugabe, who formed Zum last year.

One can admire Mr Tekere on several grounds: his forthright denunciation of government corruption; his criticism of the personality cult that surrounds Mr Mugabe and his wife, Sally; his advocacy of a multi-party democracy and a mixed economy.

### Land redistribution

He has also adopted a cautious approach to the sensitive issue of redistribution of land held by the mainly white commercial farmers to peasant families. Mr Mugabe by contrast adopted the populist slo-gan of "land to the people now." There may well be a case for further redistribution. Yet Mr Mugabe falled to explain how it would be funded, or answer the charge that such a policy could seri-ously damage agriculture.

But Mr Tekere's chequered past, which includes a murder charge dismissed on a technicality, should disqualify him from presidential office. The criminal record of one of his party's leading parliamentary candidates further undermines the standing of the party.

Given the intimidation and Zum's weak leadership the low turnout - 55 per cent compared to over 90 per cent in the two previous elections - is not surprising, reflecting disillusionment with Mr Mugabe and distaste for his objectives

rather than apathy. Mr Mugabe's record since independence has a redeeming factor. For all his rhetoric about the merits of socialism he has generally been prag-matic on the economic front. But the rhetoric has discour aged foreign investors, and the spectacle of Mr Mugabe espous-ing an authoritarian system while urging democracy on Pretoria does not help the peace process in South Africa. If he chooses to ignore the lessons of post-independence Africa and eastern Europe and continue to row against the continue to row against the tide, there is little the outside world can do to stop him. But it should not make Mr Mugabe's task any easier by assisting a strategy that is doomed to fail.

## Paul Betts looks at the changing shape of the world aero-engine industry

he aircraft engine business has never been a place for the faint-hearted. But last week's agreement between United Technologies (UTC) of the US and Daimler-Benz of Germany to pool their aero-engine activities signifies that battle is about to be injured on an

their aero-engine activities signines that battle is about to be joined on an unprecedented scale.

The deal adds a new dimension to the contest over the fast-growing commercial jet engine market, with sales forecast to total about \$200bn over the

forecast to total about \$20000 over the next 20 years.

Traditionally this has been a three-cornered fight, involving General Electric and UTC's Pratt & Whitney engine subsidiary on one side of the Atlantic and Rolls-Royce on the other. But the competition has been spreading the own the hig three aero-engine. ing from the big three aero-engine manufacturers to companies in the second division that are eager to forge privileged ties with one of the three major players.

Such alliances are nothing new in themselves. GE has had a co-operation agreement with Snecma, the French state-owned group, for the last 11 years. It is a partnership that has helped propel GE to the top of the world aero-engine league and given it a big presence in the European mar-

But the others are now scrambling to strike up strategic alliances of their own. Rolls-Royce, after a short-lived and controversial attempt to co-operate with GE six years ago, is establishing increasingly close ties with Japanese aero-engine manufacturers, which like the Germans and French are anxious to deepen their involve-ment in the business.

The deal announced by UTC and Daimler last week represents a riposte from the other company in the big three. It establishes the framework for a similar partnership between UTC's Pratt & Whitney engine operations with those of Motoren-und Turbinen-Union (MTU), the aero-engine group controlled by Daimler. On the face of it, it is hard to see

why these companies should need to band together. The outlook for commercial jet engine manufacturers looks healthy enough. All the most recent forecasts continue to confirm strong sustained growth in commer-cial airframe and engine demand. Boeing last month estimated that \$626bn worth of aircraft would be delivered world wide between now and 2005, while Airbus expects a total of 12,000 new aircraft to be delivered

Despite the staggering sums involved, however, the situation for engine manufacturers is becoming if anything more difficult, partly as a result of the changing structure of the aviation industry as a whole.

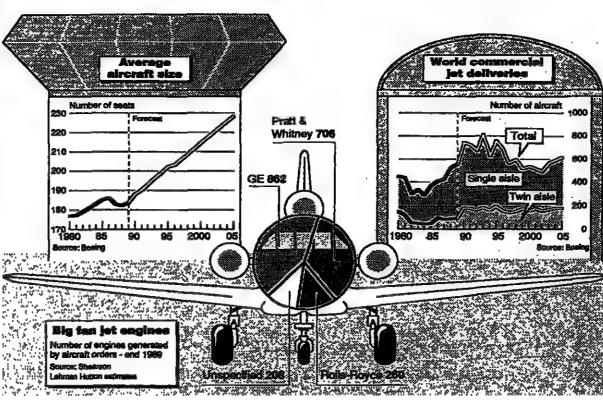
For one thing, the market is unlikely to continue growing at the current rate. After the unprecedented burst of new jet aircraft orders during the last four years, demand is expected to level off, with annual deliveries averaging around 500-600 airliners over the next 20 years. Last year, new deliveries totalled 564 aircraft.

"This means that things won't get a lot better than now," argues Mr Keith Hodgkinson, aerospace analyst with the US Shearson Lehman Hutton investment house. "The current order inflow will not continue at the rate which the industry has enjoyed dur-ing recent years," the European Airbus consortium warns in its late market forecast for the industry.

Moreover, the orders that come in will increasingly be for large, twin-en-gine, wide-bodied aircraft such as are needed to absorb steady growth in passenger traffic without unduly exacerbating congestion problems. Airbus expects the average aircraft size to increase from a current 167 seats to 230 over the next 20 years. As a result, engine manufacturers will probably be selling a smaller

## Packing in more power through strategic alliances

The market for aero-engines



number of larger and more powerful engines in a few years' time than they are today. Their balance sheets will clearly benefit from the big spare parts and maintenance business generated by the recent engine order boom. But the only way an engine manufacturer will grow is by taking market share from its rivals.

The competitive pressures do not stop there. The struggle between engine makers has created a strong buyers' market, with airlines increasingly demanding enlightened terms from engine suppliers. This applies both to the emerging "mega-carriers" of North America, Europe and the Far East, and to smaller airlines that are banding together to secure better terms from airframe and engine mak-

The challenge facing the aero-en-gine manufacturers is to develop the big-thrust engines required to power the new generation of wide-bodied air-craft. Engines currently on the market have a thrust of 65,000 lb to 70,000 lb, but manufacturers are now aiming at 80,000 lb or more.

The costs of developing the costs of developing such powerful machines are huge. GR recently unveiled its plans to develop a new big-thrust engine called the GE90 at a cost of between \$1.2bn and \$2bn. Rolls-Royce is currently developing a greater thrust derivative of its Trent engine at around \$600m. Pratt & Whitney is also working on a bigger thrust version for its PW4000 series. The problem is that the develop-

ment costs of a new engine take much longer to recoup than those of an airframe. In the case of an airframe, payback can come in around seven years; for an engine, the figure is more like 10 to 15 years. New engine programmes have thus tended to become collaborative ventures, with the three major manufacturers attracting smaller companies as risk-sharing partners or subcontractors.

It is in this context that last week's announcement by UTC and Daimler should be seen. Although their pro-

mighte orde		ana è	SHAGI	765				
		Deliveries						
Firm orders	1999	1987A	1968A	1989E				
General Electric* CF6 Series	300	206	265	300				
Prett & Whitney* PW4000	295	39	78	145				
Rolle-Royce RB211-524 Series	173	34	19	80-85				

ed co-operation covers a broad front of aerospace activities, the two groups intend initially to concentrate on the commercial engine business and more specifically on large-thrust big fan engines.

The deal, which is involve Daimler and UTC taking cross-shareholdings in each other's aero-engine subsidiaries, could have considerable benefits for both sides. considerable benefits for both sides. From Daimler's point of view, it is part of an attempt to become an international force in the world aerospace industry. In this sense, it is of a piece with other alliances currently being negotiated by Daimler including joint venture talks with Mitsubishi of Japan.

For Prait, the agreement with MTU, the fruit of two years of negotiations, is undoubtedly a coup. It secures a new partner for the development of a large thrust derivative of its PW4000 series and denies one to GE for its rival GE90. The German link could also help Pratt increase its penetra-tion of the European commercial aero-engine market dominated by GE and its French partner Specma.

General Electric is not amused, for the deal between Daimler and Pratt

ents a striking volte-face on the part of the German company, Barely two months ago, GE had signed a memorandum of understanding with Daimler enlisting it as a risk-sharing partner together with Snecma of France in the GE90 big fan engine programme. But MTU apparently preferred to link up with Pratt rather than risk being treated as a junior partner in the GE90 project, where the privileged European associate was clearly Specma of France.

Mr Brian Rowe, head of GE's engine operations, says that GE has co-operated with MTU for the past 30 years and that the German company is cur rently participating in GE's CFM56-60

series of large engines.

Although MTU also co-operates with Rolls-Royce on military engines and already has a collaboration agreement with Pratt & Whitney on smaller commercial jet engines. Mr Rowe claimed there had been no conflict of interest since the German com-pany worked with Pratt on engines under 50,000 lb of thrust and with GE on the more powerful engines. "We

were not warned of the Pratt deal. We are upset and there are clearly serious implications," Mr Rowe added.

For GE, the MTU defection to Pratt is all the more galling since it raises echoes of the collapse of its partnership with Rolls-Royce in 1986.

The GE-Rolls-Royce co-operation agreement involved the two partners concentrating on the Rolls RB211-535 engine in the middle of the market and on the GE CF6 engine at the top end of the market. The partnership broke up when Rolls decided to go its own way in the development of its large thrust Trent engine and bid against GE for the British Airways engine order to power BA's new fleet of Boeing 747-400 jumbo jets.

But Mr Rowe says the disagreement with Rolls was different. "With Rolls we were always competitors. But there was never any competition with

there was never any competition with MTU," he said.

Rolls-Royce, for its part, is watching the spat unfold from the sidelines. Sir Ralph Robins, Rolls-Royce deputy chairman, claims that the Pratt-MTU association will have little effect on the UK group. "GE has its relation-ship with Specma, Pratt now has its ship with Specma, Fratt now has he relationship with MTU and we've got a relationship with the Japanese," he observes. Two Japanese companies, Kawasaki Heavy Industries (KHI) and Ishikawajima Harima Heavy Industries (UN) have taken hetween them tries (IHI), have taken between them an 11 per cent risk sharing stake in the Rolls-Royce Trent engine pro-gramme – consolidating a 15 year old relationship the UK group has built up in Japan.

Apart from spreading the development costs of the programme, Rolls also hopes its Japanese links will boost the Trent's market penetration in the Far East where demand for wide-bodied twin engine aircraft is expected to be particularly strong.
But Rolls's own expansive market-

ing activities have added to the competitive pressures facing the two big US aero-engine makers. Rolls has seen its share of the civil engine market in cash value terms rise from only 8 per cash value terms rise from only 3 per cent three years ago to just under 20 per cent last year compared with 45 per cent for GE-Snecma and 28 per cent for Pratt. Pratt's share fell in the early 1980s, but the company has since made an aggressive come-back. Sir Ralph said Rolls was siming to gain a 30 per cent share of the jet gain a 30 per cent share of the jet engine market by 1995 and believed it could achieve this target since the group's commercial jet engine family was now available on all modern jets but for the four engine Airbus A340. "When we get on a successful air-craft we usually get about a third of the engine market for that aircraft."

In the battle for the big fan engines, Rolls also believes it has time on its side. It claims that the big Trent engine is at a more advanced stage of development than either its Pratt or GE rivals. But in the tussle over the new big engine market, both GE and Pratt also claim for their part to be ahead of the game.

Pratt recently announced that it could increase the PW4000 to 100,000 lb of thrust by incorporating a large fan with a 120in-140in diameter mounted on the existing PW4000 engine core. GE says it will be able to take up its new GE90, which will also have a 120 in diameter fan equivalent to the diameter of the fuselage of a eing 787, to 110,000 lb of thrusi

Even though many in the industry are beginning to wonder whether the engine makers are starting to enter into dreamland with some of their longer term plans to develop extrava-gantly large new engines, a battle of epic proportions has begun for a share of the hig thrust engine market. The stakes are huge for the three major manufacturers and their respective partners. And the outcome, at this early stage, is still wide open.

12 1 1 1

### Now there are two

■ The changes at London's International Stock Exchange, where a major reorganisation takes effect today, have cut a swathe through its board of directors. Of the nine power ful barons who used to dictate the way the market ran, few

First to go was David Bruce. director of finance. He resigned at the end of last year, apparently out of pique at losing out in the race for the chief executive's chair to Peter Raw

Michael Baker, in charge of the Exchange's four markets and once one of the most powerful of the select band, today becomes a middle-ranking executive in the new settle ments division. The fate of Bernard Reed, former head of marketing, seems equally harsh: his department has been dis-banded, its functions devolved. and he is now in charge of unspecified "special projects".

Peter Bennett, once head of strategic research, has also seen his department disappear under him at the same time as having his executive respon sibilities stripped. Never an exchange employee anyway, he is retained as a consultant to Rawlins.

Others have met a slightly kinder fate. Martin Fidler, secretary to the Council, retains his job, although he has lost his executive director status. Meanwhile Bob Wilkinson, head of surveillance, and John Young, deputy chairman of the management board, have both had second contracts with

the Securities Association, which took over the exchange's main regulatory functions after the Financial to lose. Young has plenty to keep him busy as chief execu-tive of TSA, while Wilkinson was due to retire at the end

of this year anyway. That leaves just two. George Hayter, the former head of the powerful services division, has

## **OBSERVER**

been rewarded for his efforts in taking the market through Big Bang and beyond with the key role of managing director of the new trading markets division. And the role of Stewart Douglas-Mann, in charge of primary markets, remains virtually unchanged.

One way to pay It was not an April Fool. From yesterday (April 1), Hyundai Car Distributors (UK) began offering to pay the poil tax of anyone who buys one of its Stellar saloons. The offer runs for two months. All that is needed is a readiness to buy the car - and even that is on

a sale-or-return basis - plus proof of poll tax liability. Hyundai will then send a cheque for the full amount, even if all the purchasers turn out to be in Lambeth.

Real tin man ■ Brad Smith describes himself as "a simple country lawyer", but in London at the weekend he was being toasted as the

man who, against all the odds, brought an end to the five-year dispute which followed the 1985 collapse of the Interna-tional Tin Council's market support scheme.

The collapse left creditors owed £500m, but the countries backing the ITC refused to honour its debts. And the UK

courts said that, while the creditors had been done a grave injustice, in law there was no reason for the countries Legal fees mounted to tens of millions. At one stage in the appeal court 24 counsel,

supported by batteries of solici-tors and legal experts, were locked in battle. "It was a crazy way to spend time and money," says Smith and the Canadian government decided to look for a better



"I name this child, Margaret

way. As Canada's assistant deputy attorney general, Smith was supervising his country's involvement in the litigation. He chaired two meetings seeking the "better solution", then for the next two years found himself travelling to London once or twice a month, cajoling countries and credi-

tors towards last Friday's com-promise: an out-of-court settlement under which £182.5m was electronically transmitted to while all this was going on Smith — whose full name is T Bradbrooke Smith — retired after 30 years' government ser-vice and joined the international law firm, Stikeman Elliott. "I'm known as the tin man around the office and I've

tice so long there might not be much left of it," he says. Was there ever a moment when he wanted to give up? "Never," he says. "There were 22 states, 20 brokers, 13 banks and three tin smelters involved, all with different objectives. I knew from the could reach an agreed solution.

been away from my law prac-

But we just kept pushing on.
"The lesson is that diplo-macy does work, if you push hard enough. And we were pushing hard." Militant

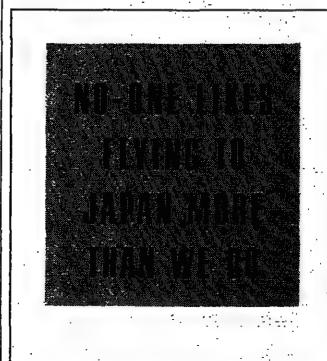
■ I began to realise that something was up in London on Saturday when I came to the office around lunch-time. There was the odd minibus lurking around the City. One of them was from the supporter's club of a football team not playing in London that day. (It was Oldham Athletic.) The windows were plastered with stickers about the Militant Tendency.
The presence of Militant is

something that I have noticed in several city centres at week-ends during the last few months. It was particularly marked during the ambulance-men's dispute. Militant is extremely good at infiltrating, persuading people who other-wise have no interest in the Militant cause that it is on their side. Passers by pick up its newspaper and read it. It must also be very well

organised. It exploits other people's grievances and some-how manages to link them together. In Newcastle, a few Saturdays ago, people were demonstrating simultaneously against student loans, changes in the abortion law, nurses'

pay and the poll tax. That said, Militant would be nothing like so successful if there were not grievances to draw on. Newcastle is a per-fect example of inner city prob-lems yet to be resolved.

Kohl's escort ■ Chancellor Kohl came to the Financial Times on Friday - perhaps tactfully - in a Daimler. As he left, there was a sixman British police motor cycle escort. All the bikes were BMWs. We wonder if he noticed. He went back to Germany on the Queen's Flight because his own plane refreed use his own plane refused to take off.



Only JAL have 33 flights a week from Europe to Japan.



علدامنه لأصل

here was never any doubt that reform of local government mance and the abolition of rates were going to be unpopu-lar : after all, the tax that people enjoy paying has yet to be invented.

The initial attraction of the poll-tax in place of discredited domestic rates was that although it was brutal, it was simple. The argument went that people would know what they were paying for; profligate Labour councils would be turfed out and prudent Tory ones would receive their reward through the ballot box. It has not worked out like that. The gamble has failed and the awful truth has struck Conservative strategists that

the party could lose the next election because of the community charge. A degree of opposition was inevitable because any new tax means losers as well as gain-ers, and losers always make their complaints known.

unless something is done fast,

But the scale of the protests, the rloting, threats of wide-spread civil disobedience, the resignation of Conservative councillors, and worst of all the realisation after the Mid-Staffordshire by-election that Staffordshire by-election that traditional Tory supporters are prepared to switch directly to Labour, has created a feeling approaching panic.

Even this scale of protest trackly underestimates the

probably underestimates the impact that the poll tax will have when demands for 38m chargepayers arrive on door-mats throughout England and Wales this month.

The average poll tax is around £365 compared with the Government's target of £278, but averages are always treacherous. The most devastating statistic, from the Government's viewpoint, is that 25m people are set to lose from the introduction of the poll tax

Many more people will lose than gain from introduction of the poll tax.

and 10m — predominantly well-to-do — will gain, It also appears that the Gov-ernment's message that it is the profligacy of local authorities – mostly but not exclu-sively Labour – that has driven up community charge demands, has not been univer-sally accepted. It is the Govern-ment that is being blamed for making unrealistic spending

The reforms appear to have coincided with an attempt to squeeze councils by imposing

Richard Evans on the Government's dilemmas over the community charge

## Limiting the poll tax damage

increase in local spending compared with the going inflation rate of 7 to 8 per cent.

The Government gambled that local authorities would not want to be branded as high spenders. In fact, the opposite seems to have happened. Because community charge targets were set so low, many councils decided they had no chance of meeting them, so they have gone shead with more ambitious spending pro-grammes in the hope that the extra costs will be blamed on the reforms.

The Government claims that authorities are overspending their budgets by £3bn, the equivalent of an increase on

rates of one third.

A whole battery of rebates and reliefs has already been But what more can Ministers

Mr Chris Patten, Environment Secretary, who has promised that the way council bud-gets are set could be re-appraised, has several options, but the more funda-mental are unlikely to be disclosed until the negotiations over the 1991-92 settlement, due to be announced in the summer, are completed.

The only option to mitigate the effects of the poll tax in its first year is charge capping -the enforced reduction of coun-cil spending levels and of poll tax bills by parliamentary

Like sverything else to do with local government finance, this apparently simple process of cutting local budgets is traught with difficulties.

The expectation is that Mr.
Patten will this week name up
to two dozen councils, mostly
Labour controlled and many in London, which will be liable for capping - a big climb-down from earlier threats to Cab over 100.

Mr Patten's difficulty is that extensive capping would strike at the community charge's supposed core principle of

Revising budgets to comply with enforced spending cuts will cause anormous disrup-

TARGETS FOR CHARGE CAPPING

Councils that exceeded both the Government's Standard Spending Assessment and the poli tax

	(per cent)	(Per cent)
Basildon (No Overall Control)	193.6	27.0
loswich (Lab)	96.3	41.1
Bristoi (Lab)	96.2	30.6
Langbaurgh-on-Tees (NOC)	86.4	13.9
Norwich (Lab)	65.5	42.5
Middlesbrough (Lab)	63.7	26.2
Stockton-on-Tees (Lab)	54.4	34.1
Milton Keynes (NOC)	44.4	98.0
Southend-on-Sea (NOC)	39.9	35.0
Reading (Lab)	37.4	23.1
Leicester (Lab)	34.7	20.0
Lambeth (Lab)	27.0	17.6
Blackburn (Lab)	24.9	35.0
Derbyshire(Lab)	24.9	14.2
: Camden (Lab)	19.9	15.8
Avon (Lab)	18.4	14.9
St Helens (NOC)	18.3	12.9
Brent (Lab)	18.2	1.4
Cumbria (NOC)	16.0	12.3
Oxfordshire (NOC)	15.5	22.1
Hackney (Lab)	14.8	12.7

the most: it could numn a lot

more cash into town hall cof-

fers in the hope that this will reduce community charge lev-

els; or it could take responsibil-

ity for some services away

from local government.

The trouble with tinkering is

that it has already been tried and with very little success.

arrangements which would

limit poll tax increases to £3 a

week no matter how much a

council spends would be costly,

but would have the advantage

of targeting additional money. It would also be possible to

extend the benefit system by

reducing the minimum poll tax

payment from 20 per cent to 10

per cent or less. But while this

would help the very poor, it would not help disaffected

Tory voters on average earn-ings, whose electoral support could be vital.

It is considered virtually car-

tain that a lot more govern-

ment grant will be extracted

from the Treasury by Mr Pat-ten for 1991-92, which could wall be general election year.

More generous transitional

tion, with the recall and revision of poll tax bills that have already been sent out.
On top of this, legal challenges could follow the selection of capped councils. Court action could delay final bills until the autumn, tempting

sums in dispute.

Mr Patten is thought to be shappy about the whole idea of charge capping. But he feels he has to make a gesture to appease Tory grassroots opin-ion which wants action against

mendthrift councils. Speculation about the charge cap list suggests that councils may be selected on the basis of their percentage planned over-spend above the Government's standard spending assessment of their needs.

If this proves correct, it might be possible to svoid the political embarrassment of having to cap any Tory coun-

In the longer term, the Gov-ernment could continue to tin-ker with the system by improv-ing reliefs for those suffering

pumping more Exchequer money into the system.

There is no mechanism for ensuring that the money would be used by councils for reducing poll tax levels rather than spent on extra local services. Another stage in the poll tax rescue operation could be to

MPs favour cutting poll tax rates substantially by remov-ing some of the services at present paid for by local government, such as education, fire services and the police.

ture transferred from local government to the Exchequer, the average community charge could be reduced by about £42. However, the money would have to come from somewhere and the standard rate of income tax, which the Govern-ment has pledged to reduce to 20p, might have to rise by at least 1p.

isparticularly appealing to the Government, and all would be expensive. Further substantial reforms in 1991-92 would also involve more turmoil for local authorities. There have now been 13 different systems of local government finance since

Nevertheless, there is little doubt that one of the options, or a combination, will be chosen. The political damage caused by the political damage.

But according to Mr Tony Travers, a local government finance expert at the London School of Economics, it would take an additional £7bn or more in central grants to

ensure that community charge bills are no greater than cur-rent rate bills. Furthermore, there is a major problem with simply

introduce a super poll tax for the wealthy. A higher band of charge, as well as bringing in more money, would be aimed at placating party critics opposed to the unfairness of the regressive lump sum tax. A number of Conservative

According to Mr Travers, for every £1.5bn of this expendi-

Education is by far the largest local government service, accounting for around 60 per cent of the total, and its trans-fer to Whitehall would pile frony on irony. It would give more power to the Department of Education, Mrs Thatcher's least favourite department, and it would represent a massive act of centralisation. But it remains an option of last resort, as it would undeniably

cut poll tax rates substantially.
None of the alternatives

in the local elections on May 3, will have to be neutralised , no matter how many principles have to be swallowed. Mrs Thatcher is not fond of admitting she was wrong. This time she might have to.

Tortuous path to negotiating table

Patti Waldmeir assesses the mood in South Africa following last week's violence

WHEN MR Walter Sisulu, the senior African National Congress (ANC) leader, was asked last week whether ANC talks with the South African Government would be threatened by the killing by police of several demonstrators in the black township of Sebokeng on Mon-day, he replied: "I don't know why it would."

He went on to explain, patiently and reasonably, that the only way to end the vio-lence now convulsing South Africa's townships - including the incident at Sebokeng, near Johannesburg, in which at least 11 people died - was through negotiation. "Agitation like that is

brought to an end by the rul-ing class talking to the peo-ple," he told a television interviewer on Tuesday. But by Saturday morning,

Mr Sisulu had reversed his position. In a move which sur-prised and dismayed Pretoria, the ANC postponed its first ever formal talks with the Government, that were due to have taken place on April 11, in pro-test at the Sebokeng shootings. There are many within the

ANC - probably including Mr Sisulu himself, as well as Mr Nelson Mandela, the deputy president - who believe the postponement should be temporary. Some contacts with Government could resume shortly, and it seems a fair bet that negotiations will be back on their tortuous path within a matter of months, or less.

For despite the weekend's hardline statements from ANC leaders - Mr Mandela himself protested that Pretoria "talks about negotiations on the one hand and massacres our people on the other" - many in the top leadership remain commit-

ted to negotiation.

Faced with outrage from its constituents, the ANC can be forgiven for wishing to make a gesture of protest against the brutality at Sebokeng, where police used grossly excessive firepower against demonstra-tors armed, in most cases, only with sticks. Certainly, if ANC terrorists had killed 11 civilians with a bomb in a white shopping centre, Pretoria, too, might wish to make a point to

But even if the postpone-

ment of the talks proves only a temporary hitch in a process which many now view as inevitable - the negotiation, under more or less peaceful conditions, of a post-apartheid constitution for South Africa - it raises serious questions about

the cohesiveness of the ANC. For the postponement appears to have been prompted by a grassroots rebellion against those ANC leaders -Nelson Mandela among them

The ANC can be forgiven for wishing to make a gesture of protest against the brutality at Sebokeng

who preach compromise and conciliation.

The mood among many local ANC activists is nothing short of insurrectional. Schooled in the chaotic township violence of the mid-1980s, radical local acitivists have had difficulty accepting the more moderate line of septuagenarian leaders like Mr Mandela.

Internal ANC leaders know they must bring these ultra-radicals - who are also well represented among the ANC's Lusaka-based external leader ship, especially its armed wing. Umkhonto we Sizwe (Spear of the Nation) along to the negotiating table. They clearly hope that this weekend's public rebuke to Pretoria will play well in Sebokeng and other black townships, and among the "young lions" of Umkh-

But their authority over the grassroots is demonstrably weak: Mr Mandela has called on warring parties in Natal to throw their pangas into the sea; they have responded by plunging them deeper into their neighbours' backs. He has appealed repeatedly to students to return to school, and they have very publicly ignored him.

Some of the more radical members of the national execu-tive will no doubt continue to resist negotiations. They could yet hold sway in an executive meeting due to take place

within days in Lusaka; if they do, violence will escalate fur-ther, white fears will intensify, and the ANC will risk looking decidedly unreasonable in the eves of the world

But even if moderation prevails, the problem of control-ling local unrest remains. For ANC leaders privately concede that the police are only part of the problem: the vast majority of the 300-odd blacks who have died since Mr Mandela left prison seven weeks ago have been murdered by other blacks, and not by the security

Hundreds have died since the beginning of the year in Natal, where a thin veneer of politics masks what is basically a civil war prompted largely by extreme deprivation. Here, too, local leaders have rebelled against Mr Mandeia, forcing him to cancel a planned joint peace rally due to have been held today with Chief Mangosuthu Buthelezi, whose supporters have carried out many of the 40-odd mur-ders of the past week.

Violence flared early last month in several of the country's ten black homelands, where local residents - the most poverty-stricken of South African blacks, and among the most brutally repressed feared they would be left behind on the road to the new. South Africa. Local grievances over rents and schooling have sparked black protest in the volatile Vaal Triangle, and taxi wars left over 20 dead in one day near Johannesburg.

All of this is no doubt the inevitable result of a dictator-ship easing its grip on power. But it can be argued that Mr Mandela's prolonged absence from the country last month - when he visited a host of African countries and Sweden in a post-release tour - seriously exacerbated the situation.

Delays in starting talks with Pretoria are likely to have the same effect. Ensuring that undue delay is avoided will prove an important test of Mr Mandela's authority within the ANC - and a chance for him to prove that he has the qualities of statesmanship on which South Africa's future will ultimately depend.

## •1992 process remains on course

From Mr John Drew. Sir, A number of your recent reports have suggested that the 1992 process may be slowed by current events in central and eastern Europe. Nothing could be further

from the truth. Some 60 per cent of the origi-nal 279 proposals constituting the Internal Market Programme have already been adopted by the member states. Only eight await presenta-tion in draft legal form by the

Business has not been slow to come to terms with the new situation, the proportion of member states exports traded with the Community have increased by 7 per cent, to 62

## Mission planning

From Mr John Argenti. Sir, I was sorry to learn from Mr Andrew Campbell's letter (March 29) that BP are having trouble with their Mission Planning in that they cannot quite decide what their Project 1990 should be all about including, he tells us, the ques-tion why BP exists. I wonder if I could suggest that Mission 1990 should be exactly the same as Mission 1980, namely to make a decent return on shareholders' capital. Mr Campbell says BP is also

searching for Ten Command-ments - what, as well as a Mission? Is that in addition to Vision, which, we are told, business leaders should have? I just wonder if some of our siness Schools are going a John Argenti. Pettistree Lodge Woodbridge, Suffolk

This process is increasingly reflected in the number of cross-frontier joint ventures of which there were more than

1,300 in 1989.
Certainly, the Community's trading partners are more than aware of the significance of these developments judging from the growth of Inward investment in recent years.

Problems remain relating to the elimination of physical frontiers and taxation, while certain areas (such as plant and animal health) nose prob-

and animal health) pose prob-lems of a highly technical

political factors that triggered the 1992 process in the first place, and no one aware of the facts would seriously wish to

The lesson from the events in eastern Europe surely is

Jean Monnet House,

However, nothing has changed the economic and

### Artificial limit on supply increases the price of houses

houses but surely the major factor for property inflation, and therefore its position as the UK's premier investment vehicle, is the artificial limit

in Cornwall may cost \$20,000 to build, £1,000 for the land and £79,000 for the planning per-

the price escalation is in these cases surely firmly in the hands of government. Low interest rates lead to

investments in modern indus-trial capacity that has helped the booms in Germany, Japan and the rest of SE Asia.

High interest rates are only inflationary in a society domi-nated by property booms, not

manufacturing booms.

A massive increase in supply of property (planning consents) could enable us to live with low interest rates and low inflation and encourage us to really rejuvenate our industrial

This solution may be politically unpopular or even impossible but surely it must be part of the debute.

A society in which the major

lesson for those seeking finan-cial security is borrow don't save, in which borrowing aggressively has been more effective than working hard, surely has the problems. When will we pay the piper?

Chicago Library.

Prof Colin St John Wilson,

Highbury Crescent Rooms, 70 Ronalds Road, N5

David Harper, Managing Director, IMP Europe,

## Denigrating the size of St Pancras Library in favour of new Chicago Library

From Professor Colin St John Wilson.

Sir, Colin Amery displays his enthusiasm for the import of architectural expertise from the US to this country ("Quality has nothing to do with

nationality," March 12).

His evidence lies in the design of the new Chicago City Library for which the lead architect is Professor Thomas Beeby who is now collaborating on the Paternoster Project in the City.

It is a pity Mr Amery did not Lithuania mention this. What Mr Amery did not state is that two partners in the practice which is building What is even more of a pity

the British Library at St Pan-cras (myself and M.J. Long) is that he seeks to denigrate the British Library project in comparison with the Chicago were active members of the design team (as library design Library by reducing it to a consultants) largely responsi-ble for the detailed organisatenth of its size! It is in fact bigger and infi-nitely more complex than the tional planning of the winning

project.
In the case of the Chicago
Library, therefore, the major
export of expertise was from this country to the US.

prolong the economic costs of a divided European market.

that the faster we can get the 1992 programme in full working order, the sooner and more effectively we can help our fallow Europeans beyond the Elbe. John Drew,

Head of the United Kingdom Commission of the European

From Mr David Harper.
Sir, I agree that current tax policy increases demand for

on supply.

A field in Berkshire may increase in value from £2,000 to £400,000 with the granting of planning consent. A bungalow

Since there is no shortage of fields available for building,

## The North is looking better

From Mr Brad Bamfield. Sir, I would agree there is a north-south divide ("Jobs feast and famine," March 26) but not exactly as described.

My company is a private developer building Phase 1 of the Arena Business Park in Sunderland which, within four years, will total 285,000 sq ft. I can report that demand for units is very strong, both from expanding local companies and

companies new to the area. What is it that attracts these companies? I believe it is summed up in one word: "Quality." The town has, in spite of your somewhat disparaging remarks, a first-class workforce which is enthusias-tic, motivated and only too willing to retrain.

This workforce extends across the employment spec-trum from unskilled to senior management. There is a quality of life rarely achieved here in the south; spectacular countryside, excellent roads, house costs are substantially lower and superior leisure facilities. The employers in the area know all this and many out-side the area are finding out. This quality element is enhanced by financial assis-tance offered by central and local government. Sunderland Council is unfailing in its sup-

port of employers. Yes, there is a north-south divide — in the south we have congested roads, packed commuter trains, dirty streets, run down, or very expensive leisure centres, exorbitant hous-ing and labour shortages. In the north Brad Bamfield,

Chairman, Metropolitan Land and Development Company, Stansted, Essex Call to

recognise

72 Compton Street,

Sir, Mrs Thatcher is right to feel shame over Munich. Lithuania has democratic credentials as good as many members of the UN. Why does Britain not recognise Lithu-LJ. Kenna. Chairman, Celtic League

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## FINANCIAL TIMES

Monday April 2 1990



Argentina takes a step back from the abyss

Gary Mead examines the day-to-day problems of living with hyperinflation

P popular repute. Bue-nos Aires has the world's greatest concen-tration of psychoanalysts and trained economists. Its ubiquitous hyperinflation leads its middle class to bounce from the couches of one to the counsel of the other. Both are forms of therapy,

teaching not how to solve Argentina's crisis but how to co-exist with it. It is like learning how to live with economic gunfire, waiting for the next shell to land. People wince not from ballets but from prices. Since December 1989 monthly inflation has averaged 50 per cent and by the end of March that average will proba-

bly lave risen to 65 per cent.

There are signs that April
wil be a calmer month, with price rises slowing to 10 per cent. a rate that would cause ourrage in the industrialised vorld but which in Argentina could be cause for rejoicing in

In Argentina, hyperinflation hits everyone hard in the sense that overall national economic performance is affected and it goes hand in hand with a col-

lapsing exchange rate.

In February the austral depreciated by 300 per cent, dropping from less than 2,000 to almost 6,000 australs to the dollar. That cripples all calculations and utterly undermines all export-import planning. Furthermore, the divisions

in Argentina's already sharply divided social structure are being exacerbated by the hyperinflationary cycle, which in effect has been rampant since May 1989. In the 10 months since then prices have risen by a monthly average of

63 per cent. There are only three ways to survive relatively unscathed and without resorting to rob-bery: to be in the fortunate position of relying upon a foreign currency, and hope the austral's exchange rate slides in line with inflation; to obtain



inflation-beating wage or inter-

est rate increases; or to trust to the charity of government or other agencies to provide emer-gency relief. There are three classes in

contemporary Argen-tina - those that think in terms of US dollars, those that have industrial muscle or investment possibilities, and

he have nots.

The first category, which includes foreign correspondents, have not drowned because the austral has collapsed from its June 1988 position of 10 to \$1 to its late March 1990 level of 4,500 to \$1 While prices have scared \$1. While prices have soared, so has the purchasing power of foreign currency.

Trades unions in the private sector have also managed to keep their noses at or above the plimsoil line. Workers in the textile, steel, building and other basic sectors have regularly achieved increases in line with inflation.

Canny investors had the chance, until recently, to put their assets into a variety of financial areas which provided returns in excess of inflation.

But it is the third category, in which as many as 10m of Argentina's 31m citizens can be grouped, that hyperinflation has hit hardest.

The armed forces, university academics, government bureaucrats and the huge army of unregulated workers who depend on casual, unregis-tered employment, have all found their lives dramatically

altered in the past year.
"After 20 years in the service I can no longer afford to buy a new car, something which I could have done on my salary when I was a junior officer. says a senior air force officer now working in the Defence Ministry.

He reckons that junior officers are now 70 per cent worse off than when he first joined up two decades ago.

Argentina's poor some 2m people live in a circle of slums around the edge of Buenos Aires - are surviving thanks to minimal government handouts, which provide regular quanti-ties of pasta, milk, bread, cooking oil and so forth.

Already semi-permanently poised on the knife-edge

between existence and outright destitution, the current crisis has indefinitely postponed the prospect that their children might be better fed, housed,

educated and hospitalised.

More than 22m people - 75
per cent of the populationwho depend on state medical insurance schemes, are now virtually without treatment, cause the schemes have all but died since January.
With teachers on regular

with teachers on regular strike for higher wages, and the construction industry working at 80 per cent below its last years' capacity the bulk of the population who are dependent, in one form or another, on the welfare of the state or and wing the waste. state, are enduring the practical hardships of hyperinflation.

But while lower class existence has never been luxurious, those poised

half-way between a holiday home abroad and semi-poverty at home are witnessing the greatest collapse in their expectations.

Be it an air force officer, or a psychoanalyst in private practice, the drop is painful. A psychoanalyst friend, married

with one child, describes his altered perspective. "Two years ago we went to Europe, which cost us \$5,000. Last year it had to be \$500, for a holiday in Argentina. This year it's difficult to find \$100 for an even shorter holiday, again in Argentina. Going to Europe again is out of the question. It would take two years' salary."

Even today, comparisons with Weimar Germany, suggesting that Argentine society is on the brink of total collapse as a result of hyperinflation, are misleading.

That spectre looked possible three weeks ago, before some calm returned and the Government's tight monetary policy soaked up australs which had been fleeing into dollars. What has happened is a step back from the abyss, a generalised belt-tightening while everyone pauses to see if the current

So far, the national patience has been remarkable. The next two months will test that patience to its limits.

Dismantling the public sector,
LADB struggle, Page 3

## Tiny steps towards agreement on EMU

By David Buchan in Gaiway

EUROPEAN Community finance ministers moved forward at the weekend towards the design of an economic and Britain's partners hailing a "constructive" change of tack by Mr John Major, the UK Chancellor of the Exchequer.

The year-long impression of Britain being engaged in a solo fight against EMU was consid-erably softened at the informal meeting at Ashford Castle, near Galway, as Mr Major pitched into a discussion of what budgetary disciplines should accompany EMU and found himself far from totally

isolated UK differences no longer stood out so starkly in a debate which saw Germany, supported by the Netherlands, calling for binding ceilings to be placed on individual states' budget deficits, and most other states, including France, sharing to some extent British

antipathy to this idea.
Bonn's stance on this, and its disparagement of the European Currency Unit as the putative single currency, brought an outburst from Mr Jacques Delors, the Commission president, who com-

Continued from Page 1

those tactics as a "smear" which showed how desperate the Government had become.

may well undermine the effec-

tiveness of the largely peaceful mass protests in the English

provinces by linking even

these to the activities of a small mobile element deter-

But the reaction to the riot

itself is unlikely to dominate the poll tax debate for long.

The announcement of which

councils will have their expen-diture "capped" by central

Government is expected tomor-

mined to cause trouble

The violence of the protest

plained after the meeting of being "badly repaid" for his early vocal support for German

Ireland, who chaired the meeting, said much work remained to be done, both on the design of a European central bank system - on which treaty negotiations will start in December - and on the prob-lem of transition from the first stage of closer EC monetary co-operation due to start on

But at least, during their mayo, initiaters settled some aspects of how to prevent countries misusing EMU to go on a spending spree. All, including Mr Major, agreed the EuroFed – the proposed EC central bank – would not be

Mr Major would only admit to "a change of tone, not of

Saturday discussions in this neo-gothic castle in County Mayo, ministers settled some allowed to ball out - or print money for - spendthrift states. Generally, however, they shied away from the idea - contained in a report prepared by their officials - of dragging such states before the Court of Justice for budgetary indisci-

The Prime Minister yester-

Mr Kinnock condemned the

day expressed her "absolute horror" at what had occurred

"criminals and anarchists" responsible for the violence,

saying: "Like every other dem-

ocrat, I regard them and treat them as enemies of freedom".

Environment Secretary, called on Mr Kinnock to withdraw

the party support from the

Labour MPs involved in the non-payment campaign.
Mr Bryan Gould, Labour
Party environment spokesman.

But Mr Chris Patten, the

in the demonstration.

Extremists blamed for London protest violence

substance" in his Govern-ment's position. Britain still preferred the notion of freely competing monetary policies to UK parliament "could not accept budgetary restraint on

sovereignty," he said.

But Mr Wim Kok, the Dutch Finance Minister, summed up the general view when he said Mr Major had taken some "mouse steps" foward by signalling those aspects of the final EMU blueprint he could accept. The result, said Mr Kok, was that the UK "is following the others at some distance, but the distance is not getting any larger."

The gap over the fiscal dimension of EMU was highlighted by Mr Theo Waigel, Bonn's Finance Minister, who told his EC colleagues that "budgetary discipline is for me a central element for the suc-cess of EMU."

If Germany's partners could not accept central EC rules on their spending habits, then he suggested they should copy the automatic German formula which restricts budget deficit increases to the rise in public capital spending.
By contrast, the Commis-

said that yesterday's rally was

nothing to do with the Labour

"It is very regrettable that

ministers have sought to make

party advantage out of what was a very shocking law and order issue," he said.

Sixty-eight people in custody

are to appear before magesi-trates' courts in London today

charged with public order

offences, looting, theft, burgary, and assault. A further 273 have been bailed to appear at a

• Philip Stephens writes: Mrs Margaret Thatcher mean-

sion, knowing German budget-ary recipes to be unpalatable to most states, has proposed that states write their own deficit

The recent Commission report on EMU also says that the Community should aim to make the Ecu basket currency its single money, rather than just locking together the rates of the 11 existing national cur-

Mr Waigel and Mr Karl Otto Pohl, the Bundesbank presi-dent, repeated their concerns that the D-Mark might be undermined by the promotion of a parallel money such as the Ecu. This, in turn, led Mr Delors to comment that Europe's common money could not be one of its present national currencies and that the Germans must realise that one can do something without affecting the D-Mark. The applications of Norway and Austria for associate mem bership of the European Mone-tary System should be consid-ered in the context of the forthcoming trade negotiations of these countries and their partners in the European Free Trade Association with the Community, EC finance ministers decided at the weekend.

while made a determined attempt at the weekend to squash speculation that she might stand down as Prime Minister before the next gen-eral election, insisting that

The Prime Minister re-affirmed her commitment to tax, and promised a conference of senior party activists that the Government's present diffi-culties with high inflation and mortgage rates and the politi-cal backlash against the political disguised a "shining future within our reach".

there would be "no vacancy".

### WORLD WEATHER

~	_		•••	Compression and the	-	-	~		-			LINEARCE			~
Aignera	F	22	72		S	- 14	7	Munchester	8	16	59	Rio de Jo	F		95
Amsterdam	S	17	63		R	16	61	Mantle	F	35	95	Roma	5		84
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### Armour in Lithuania

Continued from Page 1 middle ground" with Moscow. although it is not clear what such ground might be, short of outright abandonment of inde-pendence, which would be acceptable to Mr Gorbachev. The Soviet leader's address

to Lithuanian leaders, carried on national television on Sunday, urged that they "immediately annul the illegal acts" they had adopted.
"If the voice of reason is not

heeded now, developments can have grave consequences for all of us," Mr Gorbachev said The war of attrition was intensified with the departure

from the republic by midnight last night of virtually all remaining western correspon-dents - under protest, but at the firm insistence of the Soviet Foreign Ministry.

Moscow also tightened the ratchet at the weekend by

apparently sending in Soviet troops to occupy the offices of the Lithuanian procurator. Tass, the Soviet news

agency, reported yesterday that the occupying troops num-bered only three and were in fact from the Lithuanian Inte-rior Ministry. But officials at the republic's parliament dis-puted this as "disinformation."

## Mandela to meet de Klerk informally

in Johannesburg

MR NELSON MANDELA, deputy president of the African National Congress (ANC), yesterday said he would hold an informal meeting later this week with President F. W. de Klerk of South Africa, suggesting that formal talks between the two sides may not be even the two sides may not be seriously delayed.

On Saturday, the ANC had announced it was postponing the first ever formal negotia-tions with Pretoria, due to have begun on April 11, provoking surprise and dismay in government circles, and among liberal whites and

restern governments.
The ANC cited police brutality against black demonstra-tors as the reason for the post-ponement, condemning especially the deaths of at least 11 blacks at the hands of police in the township of Sebokeng last Monday.

However news last night that Mr Mandela would answer a personal invitation from Mr de Kierk - and would meet him, alone, to discuss the recent explosion of violence in South Africa's townships - indicates that the postponement may be only temporary, and stresses Mr Mandela's desire to maintain contact with Pre-

Mr Mandela, addressing one of his biggest public rallies yet, at the eastern Cape town of Port Elizabeth, said the ANC would approach the Gov-ernment to set a new date for talks as soon as effective action was taken to stop police brutality.

He stressed that he would not lead an ANC delegation to the meeting with Mr de Klerk, which he said would take place after his planned visit to the warring townships of Natal today. He praised Mr de Klerk

before a crowd of tens of thou-sands at Port Elizabeth, saying he was the first South African leader to "come to terms with reality."
But the actions of police

were in direct conflict with the public positions of Government, he said, adding "our people in the townships are experiencing a reality no dif-ferent from that experienced under Botha and Vorster (for-mer South African leaders)." mer South African leaders).

Speaking in the Ciskei black homeland on Saturday, Mr Mandela spoke even more

"If the Government talks about negotiations on one hand and massacres our people on the other hand, we can-not tolerate that."

## BTR squares up to the attorneys

From a London viewpoint, it is to be hoped that Wall Street lawyers and Massachusetts politicians will not drag out BTR's \$1.6bn bid for Norton for as long as it took Hanson to get SCM, or BAT to get Farm-ers. Regrettably, the tone of Norton's rejection of BTR sug-gests otherwise. Legal mannergests otherwise. Legal manoeu-vre and local protest seem to be Norton's only weapons. Its existing poison pill mecha-nism, a shareholder rights plan, may not be much of a barrier, but the board's step of trying to postpone the annual meeting from April 26 until June 12 looks a portent of more

blocking tactics.

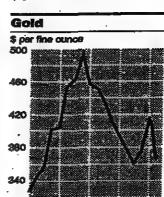
Financially, it is hard to see much in Norton's talk about finding bankers for a leveraged recapitalisation. Norton's cash flow per share for 1990 looks likely to be about \$7.45, not much to support a deal which might compete with the \$75 per share BTR is offering. It is also hard to see what cash outflows Norton could dispense with to help it with a higher debt burdends since 1982 and its carlingless. dends since 1982; and its capital spending, as BTR pointed out on day one, is not high. That leaves the possibility of other bidders, with Wall Street rumour centering on Ingersoll-Rand or General Electric. The trouble is that at 19 times earnings, BTR's bid is at a level to deter anybody not prepared to put in a lot of work post-take-

Hence the danger of litiga-tion being Norton's preferred tactic. Of course, US boards have a fiduciary duty to look after their common stockholders, and fear of shareholder lawsuits may constrain Norton. But as the Hanson/SCM case showed, the timescale can be protracted even so.

### ANZ-National Mutual

Last week's confirmation of the rumoured merger between ANZ and National Mutual shows the reconstruction of Australia's financial sector taking an unexpected turn. In any country, the merger of the sec-ond biggest bank and second biggest insurer would be remarkable. In this case, the it means for the reshaping of the banking sector itself. Of the big four banks, ANZ

and National Australia Bank took crossholdings in each other last September: Westpac last month picked up a 7.5 per cent stake in ANZ and has openly talked of a bid: and the federal-owned Commonwealth



partner. But Mr Keating, the Finance Minister, last Friday ruled out any merger among the four, while giving condi-tional approval to the ANZ-Na-tional Mutual idea. Perhaps the other three will be driven to consider rescuing the state-owned banks, such as the crippled State Bank of Victoria, whose recent record in lending to the entrepreneurs has made the state governments more than anxious to get rid of

As for National Mutual, the deal will involve a demutualis-ation almost unprecedented in scale. The problems this poses are much the same in Austra-lia as in the UK, where the tiny FS Assurance is the only com-FS Assurance is the only company to have gone through the process. In recent months, the UK market has rather gone off the idea that a big UK demutualisation is in the offing. But if the National Mutual plan proves feasible, its sheer scale might cause the big UK mutuals to think again.

### Laing Properties Standard Life owns 28 per

cent of Hammerson, so it must know what a UK property com-pany is worth. The Standard's response to Pall Mall's 725p per share bid for Laing Properties ought therefore to be a good cine to the behaviour of other institutions. Laing's problem is that last Thursday Standard jumped ship, taking the 725p for each of its 900,000 shares. If this is a straw in the wind, even a solid wall of opposition to Pall Mail from the 23 family and charitable trusts which own about 43 per cent of Laing may not stop the deal dead.

As it stands, the bid poses a ticklish problem for the institutions. By historic precedent such as Rodamco's bid for Hammerson, or Wereldhave's for Peachey Properties, Pall Mall's offer is unacceptably

low. At 725p, it is pitched at a 20 per cent discount to the all-up valuation of 916p per share in Laing's defence docu-ment. But even if one accepts Pall Mall's rather mischievous claim that development sur-pluses should be left out of the valuation, bringing it down to 788p, the offer is still pitched at roop, the other is still pitched at significantly less than the 95 per cent of net asset value nor-mally required to clinch a property bid.

The trouble for Laing is that in Mondad

TEN THE ST

property sector share prices were showing an average dis-count to net asset value last week of 41.4 per cent. So a fund manager can easily take a cut-price bid from Pall Mall, then put the money straight back into another undervalued situation - MEPC, say, or Land Securities. One can well see why other institutions may follow the Standard.

## James Capel might have

wished for better timing for its Gold Investment Trust launch than three days after a precipitate \$20 fall in the gold price.

Details of the identity of the seller who dumped around 2500m of selling orders on the market are still uncertain. However, the move caught the bullion market in a depres bullion market in a depressed mood as the end-1989 hopes of a sustained rally had started to evaporate. The markets had already failed to sustain a price of over \$400 per cunce. Even if last week's plunge was merely caused by a cleverly timed short position, the gold price is likely to remain flat on its back for some months to come. The strength of the dollar is

The strength of the dollar is no help to bullion. Nor is the continuation of high interest rates, which make it expensive to hold a non-yielding asset such as gold. And although the main suppliers, South Africa and the Soviet Union, are both in political turnoil, that need not necessarily be a bull point. Mr. Gorbachev might decide to maximise gold sales to pay for perestrolks. And on the demand side, there are signs that the Japanese enthusiasm for gold may have passed its

Nor is the outlook for gold shares any more enticing. The FT-A Gold Mines Index, which more than doubled in the 1989 rally, has only fallen 20 per cent from its recent peak and may not have fully reflected the gloomy outlook for the builion price. If only Capel, which has to be commended for its ambition in aiming to raise £300m, had launched its trust at the end of last year.

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### INSIDE

### **Battle for Mondadori** takes a new twist

The saga of the battle for Mondadori, Italy's leading publisher, continues with more twists and turns than a Hitchcock thriller. Tomorrow, however, the balance could be tipped. A cruclai shareholders' meeting, originally scheduled for Saturday, could resolve the uncertainty facing the company. The meeting was delayed amid signs that the protagonists. may be nearing a settlement Page 21

Learn how to learn



American companies are forging with their Japanese rivals will be unequal bargains unless the westerners do better at learning from them, argues Christopher Lorenz in the Business Column, Back Page

### New favourite wins converts

Reckitt & Colman is one recent convert to a: new fund-raising technique that has started to dominate British corporate finance markets: the convertible capital bond. Finance directors like it because the bonds can be classed as equity on the balance sheet. Philip Coggan reports. Page 23

### Eurobonds fall on hard times

Eurobonde with warrants \$20bn

After a difficult quarter marked by the slide in the equity warrants mar-ket, the list of leading underwriters looks markedly different from. a year ago. There is an inexorable concentration of business as fewer houses demonstrate the capacity to conduct. operations. Andrew

Freeman looks at the impact of the decline in equity warrants. Page 29

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## Chinese dragon builds its HK treasure hoard

John Elliott talks to the man behind Peking's investment arm in the colony

Y PHILOSOPHY is that if there is no competition, then there is no progress. Look at China - they don't like competition so they have limited progress." These might seem unremarkable sentiments - except that they come from Mr Larry Yung, the Shang-hai-educated electrical engineer who heads the increasingly acquisitive Hong Kong offshoot of Peking's China International Trust and Investment Corpora-

tion (Citic)... Mr Yung, aged 48, is clearly pleased with his adoption of what he calls the "Hong Kong style." He left the mainland 12 years ago to run his own manufacturing business in the colony, and has a

reputation for enjoying a capital-ist's life style.

Since Citic Hong Kong (Hold-ings) was set up in 1987, he has built its assets up to more than US\$1.5bn. In the past couple of months it has swallowed a 20 per cent HK\$10.3bn (\$1.3bn) stake in Hongkong Telecommunications (which was completed last Thurs-day), and has added a 38 per cent stake in the small regional Dra-gonair airline to the 12.5 per cent it aiready owned in Cathay

Pacific Airways.

Along with the Dragonair deal,
Citic acquired a small quoted
property company called Tylfull
which now holds the Dragonair
stake and is expected to be the
focus of the next stage of Citic's
development. development. Mr Yung says that this satisfies Citic's ambition to have an active, quoted company on the Hong Kong stock market. "We want Tyifull to become a Citic vehicle and convert it into a diversified investment company,"

says Mr Yung.
The move into Dragonair ended the small siring's international ambitions. This has removed a competitor to Cathay and baised questions about whether Citic has a preference for monopolies and restricted competition that would run country to Hong Konga free many counter to Hong Kong's free market ethos.

For example, would Citic lobby against the Hong Kong Government's embryo plan to end Hong-kong Telecom's monopoly on voice communications when current arrangements expire in 1995, two years before the colony returns to Peking's sovereignty? Would it then move in on the colony's two electricity suppliers

- Hongkong Electric, controlled
by Mr Li Ka-shing (who is close
to Citic), and China Light and Power, controlled by Lord

Kadoorie - and try to bring them together?

"We must have competition, but sometimes there is a case for co-operation," says Mr Yung explaining that the move into Dragonair, made jointly with Cathay, had ended "unproduc-tive" fights between the airlines

over routes.

For Telecom, Citic would lobby
the Government "and do our best
to get an extension" of the voice
monopoly. But the feasibility study it carried out before buying the 20 per cent from Cable and Wireless of the UK "was based on an assumption that the monopoly would end and that this would not lead to substantial competition or reduced profitability for

several years."

The financing package on the purchase of the Telecom shares iecrees a six-month standstill on further substantial investments. "We are in for a period of diges-tion," says Mr Yung, who has shown with the acquisitions that his organisation is thriving, despite China's political and economic problems and despite corruption allegations which hit Citic in Peking a year ago. "On the whole, there has not

been any change, and our corporate mission to develop into a window for China, providing technology, management and hopefully capital, is still there." But, he added with a smile: "A window is still a window sometimes widely open and sometimes not so wide, but still

e acknowledged that China's economic retrench-ment, and the State Council's wish to exert more control over economic development, had hampered the overall ability of Citic in Peking to invest in China. From Hong Kong he had only been able to set up one major project in China — a 750MW power station in Jiangsu Province which might be expanded by another 800-700MW, plus two smaller power stations. This, however, does not affect

us operating in Hong Kong, providing we are self-sufficient on profitability and financing - oth-erwise, how could I have done the Telecom and Dragonair deals?"

Self-sufficiency "with profit-ability as our main aim" is the basic point governing the Hong Kong operation. This has led to quick profits being realised on some shipping and local property deals, although there have been fewer of these recently, plus lon-



Yung: head of an increasingly acquisitive branch of Citic

ger-term infrastructure investments in telecommunications, aviation, the colony's eastern harbour crossing, and the AsiaSat communications satellite. About 60 per cent of the assets are now in telecommunications, with 20 per cent in aviation and 10 per cent in power stations.

Mr Yung is thinking about putting the Jlangsu power station into Tylfull's portfolio when it comes on stream next year. This might be followed by the AsiaSat and harbour crossing stakes, plus other investments.

Mr Yung rejects local allegations that Peking is using Citic to seize control of key parts of Hong Kong's infrastructure ahead of 1997. "No leader in Peking has asked me to take stakes in the infrastructure for control in

The Hongkong Telecom stake was a "good investment" at the buying price of HK\$4.47 a share, he says. Citic had turned down an offer from Cable and Wireless an oner from Cable and wheless in February 1988 of a substantial bloc of the shares because the market price then of about HK87 was "too high." The investment in Telecom would not have been made if the consortium, including Citic, led last year by Mr Li Ka-shing had won Hong Kong's cable television and telecommunications. cable television and telecommu-nications services franchises, because there would have been a conflict of interest.

The Dragonair investment had "wider aim" because of the intention, now achieved, of co-op-erating with Cathay which yes terday handed its Peking and Shanghai routes over to the smaller airline. Mr Yung insists, however, that the move "was ini-tiated by Citic Hong Kong, not by Peking," even though the state-owned Xinhua News Agency already had a 26 per cent stake in Dragonair.

## Paying the high costs of tax evasiveness

Timothy Ryan and Mr David

Hunt. Both men surely qualify for the Short Straw, a gold replica to be awarded to those who volunteer hopeless jobs: Mr Ryan as President George Bush's nominee to run the Office of Thrift Supervision (OFS) and Mr David Hunt as the unhappy British minister responsible for defending the community charge - the new tax which provoked riots in Trafalgar Square bad enough to dominate the US television bulletins. On the surface, the cases look

quite different. Proper analysis, however, shows a more substan-tial connection: both are carrying the can for fiscal evasions a decade or more old. It also provides a little-remarked reason for expecting US interest rates to fall rather than to rise during 1990, so the question is not simply political or academic.
The British case, which may be

worth explaining to baffled viewers in other countries, is bless-edly simple: Mrs Thatcher herself invented the problem which the poll tax is now failing to solve. She was determined to cut personal taxes when she came to office, but the national accounts

allowed for no loss of revenue.

Mrs Thatcher attacked the problem in the same way former President Ronald Reagan did. Central government support for local government was cut. This made it possible both to cut national taxes, and to pass the odium for making good the loss on to her political opponents at the local level, a neat evasive manoeuvre.
This placed an impossible bur-

den on a rickety British version of the property tax, known as the rating system. The manoeuvre was doubly evasive, since the system could have been fixed with timely - though unpopular revaluations. The end result in Britain is

ironic: the Government is trying

to fix its brand new tax system by passing many of the heaviest burdens back to the national budget, where they started. It seems, then, that the new system is not only more unpopular than the old, but even less capable of doing the job.

In America this particular evasion has been successful. The states have full taxing powers, constrained only by the need to

to take up the burden placed on them — under protest.

However, this was only one item in the list of evasive accounting devices used by Mr Reagan — and, in some cases, by his predecessors — to buy politi-cal benefits without actually having to send any bills to taxpayers.

win elections under balanced-

budget rules, and have been able

T MAY seem a mere April
Fool's Day coincidence which
connects the troubles of Mr
the property market, wrecked part of the thrift industry, and now threatens the regional

> The oldest of these came and went many years ago: Regulation Q, which was designed to provide cheap finance for housing through market-rigging rather than through an actual, expensive subsidy. This simply barred the banks from competing with the thrifts for retail deposits.

This was an early victim of the high, volatile interest rates and deregulation of the 1970s, and its abolition left the thrifts paying



By Anthony Harris in Washington

more for deposits than they were

earning on mortgages.

This, then, is an old story, and so is the story of how Congress tried to help the industry gamble its way out of its losses by plung-ing into high-yielding markets it did not understand, and how the Reagan Administration compounded this folly by adopting a blind-eye supervisory system (mainly by starving it of man-power). This created the mess which Mr Ryan has been nominated to clear up.

What is not so familiar, and therefore makes this story worth retelling, is how two praisewor-thy US government policies have actually undermined the prop-erty market still further - and are undermining the remaining thrifts, too. These are the tax reform of 1986 and the subsequent attempt by the Bush Administration to clear up the whole mess.

The new troubles of the thrifts arise from the efforts of the Treasury and its liquidation agency. the Resolution Trust Corporation (RTC), to minimise the book cost of winding up the falled thrifts which have already fallen into their care. The RTC has, for example, claimed the right to pay

off the high-yielding certificates of deposit of failed thrifts and replace them with cheaper Treasury-quality paper.

This looks sensible, but it has created what the market has already christened CD Truncation Risk, and thus raised the margin which the supposedly healthy thrifts have to pay over prime-quality deposits. Equally, the RTC's efforts to minimise taxpayer liabilities in the mortgage-backed security market has created immeasurable new risks there and made the paper diffi-

This means further troubles for the thrifts. They rely on the mortgage-related market to unbundle the interest-rate\_risk inherent in fixed-rate lending: and they apparently rely on a proportion of fixed-rate lending to establish their claim in the eyes of the Internal Revenue Service to the special tax treatment which gives them their only cost

edge over the banks.
The banks, meanwhile, complain that the RTC refuses to make realistic allowance for the costs and risks it has imposed when it offers them for saie: result, they won't buy, and the RTC-attempted economies seem to be blocking its own path. But this will hardly worry the banks, who have enough tax-born troubles of their own.

The measure which undermined the commercial property market - and also, as it happens, the after-market for bankrupt thrifts - was the restriction placed on "grandfathering" (the carry-over of tax losses) under the 1986 reform.

Again, this can be regarded as a clean-up: the old rules were absurd loopholes. All the same, the change has undermined the financing of a great deal of prop-erty development. That is why the regional banks are beginning to publish losses comparable to those of the big thrifts - \$1.1bn last year for the Bank of New England alone.

his is a national disaster, with huge commercial vacancy rates (typically near 20 per cent) from coast to coast

It may be years before we have the full measure of the disaster; but the bank boards and supervisors are already aware of an abyss. Hence, the heavy writeoffs, the provision of new reserves and the virtual freezing of property finance even in onceboom areas such as Washi

What started as an evasive attempt to conceal the cost of political programmes has ended, not in political, but in financial bankruptcy - what amounts to a prudential and supervisory deflation. And that, as we learned in another context eight years ago, tends to drive rates down, not up.

## **Economics Notebook**

## When inflation just won't add up

WITH inflation in Britain beading towards an annual 9 per cent and possibly beyond, the retail prices index (RPI) has supplanted the monthly balance of payments figures as the UK's most closely watched

economic indicator.

Inflation has become the "judge and jury" of British government economic policy to an extent that Mr Nigel Lawson, the former Chancellor, could hardly have imagined when he coined that phrase in the mid-1980s. The RPI acts as a base level

for wage negotiators. It also determines how state retirement pensions and several social security benefits are upgraded and sets the level of interest paid on index-linked national savings and indexed gilt-edged stocks.
Thus, the reliability of the

RPI is a matter of some impor-tance and last week the House of Commons Public Accounts committee subjected the index and the people who assemble it to detailed scrutiny. The RPI is based on a basket

of goods and services that is meant to represent what people actually buy. Its compila-tion each month involves the collection of about 120,000 prices for some 600 items. The job of collecting the prices has been done by the Department of Employment since the late 1940s. The Department was responsible for issuing the fig. ures until August last year. But that is now handled by the Central Statistical Office

Like all indices, the RPI is a compromise. Sir Jack Hibbert, CSO director, told the committee that it "can't be expected to

do all things for all men."

Not everybody smokes or drinks alcohol, but tobacco and alcoholic drink account respec-tively for 3.4 and 7.7 per cent of the index weight. The index also contains some oddities.

of the Department of Employment, one of the prices his offices have to gather is that for "sending one red rose by interflora to Watford."

larly, higher mortgage interest rates. But mortgage interest payments are only partly taken into account in the index. The cost of acquiring the house as a capital asset or servicing the credit that finances its pur-chase are not included in the retail prices index.

Instead, monthly mortgage outgoings are included in the RPI as an imputed rent that is meant just to represent the cost of obtaining the "service" of housing. Thus, the CSO has determined that mortgage interest payments should account for 7.5 per cent of a typical household's monthly outgoings in 1990: a level that

In collecting the statistics, the employment offices also deal with a host of nitty gritty problems. One is the tendency for manufacturers to withdraw product lines or change their packaging. A National Audit Office (NAO) report on the RPI earlier this year found that almost 30 per cent of specific items for which prices are col-lected at the beginning of the year become unavailable in the course of the year.

The actual process of collect-ing the statistics was a matter of considerable concern to the Members of Parliament on the

Public Accounts Committee.
The NAO report found that there were significant varia-tions in local price collection practices among the 175 employment service offices charged with gathering RPI data. While there was a theo-

According to Sir Geoffrey Hol- retical maximum of 175,000 land, the permanent secretary prices to be collected locally prices to be collected locally each month, in general only about 95,000 prices were col-lected. The NAO found a high staff turnover of price collec-

tors with no formal training.
The NAO surveyed nine For many people, inflation in recent months will have meant above all the rising cost of housing, and more particularly kinhan more particularly k offices in June 1988 and found that the prices collected in eight of them ranged from 42 to 84 per cent of the theoretical maximum. Only one of the eight managed to gather the prices on the appointed "index day."

One office selected for survey — Camden — was on strike and so provided no data. It later transpired that Camden collected prices in votation

collected prices in rotation from only one-third of its listed retail outlets each month because of staff shortages. For the remaining two-thirds of the outlets, price data was copied forward from price collection forms for the previous month.

The Employment Department's Sir Geoffrey Holland last week admitted that it was difficult to get people to meet the required standards of price collecting. His offices often had difficulty handling the job in addition to dealing with benefit claimants. He said the Government was looking at the possibility of contracting out the job of obtaining price data to market research companies.

However, Six Leck Hibbert of

However, Sir Jack Hibbert of the CSO opined that over 12 months the RPI was likely to be accurate to within 0.1 percentage points.

This assurance proved to be of little comfort for the Public Accounts Committee. By coincidence, a computer error between February 1986 and October 1987 led to a 0.1 per-centage point understatement in the inflation rate, which resulted in a £116m (\$190m) underpayment of pensions and benefits in that period.

Peter Norman

## THIS WEEK

THE MEETING of finance ministers and central bank gover-nors from the Group of Seven leading industrial nations in Paris on Saturday is likely to be a dominant influence on financial markets this week

Although few analysts expect much will emerge from the meeting, markets can be expected to focus on some of the underlying problems facing the world economy as the G-7

talks draw nearer. Figures today for Japan's foreign exchange reserves in March will highlight one of these problems: the recent weakness of the yen. The reserves are expected to show a large fall, reflecting Bank of the yen. Japan intervention to support the yea.

On Friday, the US publishes its non-farm payroll figures for March. Together with today's index from the National Association of Purchasing Managers (NAPM), this widely-followed, monthly economic statistic should provide the latest guide to inflationary pres-

In Britain, attention will focus on Tuesday's appearance of Mr John Major, the Chancellor, before the House of Com-mons Treasury and Civil Ser-vice Committee to discuss last month's budget. The Govern-ment also publishes the official reserves for March that day. The consensus of analysts' forecasts compiled by MMS International, the financial research company, is that the

reserves will fall by \$300m. Events and indicators (with MMS consensus in brackets)

Today: UK, February final retail sales; February credit business (£200m increase in net outstanding); fourth quarter finished steel consumption and stock changes. US, NAPM index for March (48.3 per cent); construction spending for February (up 0.5 per cent); US and so-called Structural Impediment Issues in Washington.

## **UK** official reserves 52 00000

Inter-American Development

Bank begins in Montreal. Tomorrow: US, leading indi-cator for February (down 0.7 per cent). Switzerland, Gatt's ruling council holds monthly meeting to consider trade disputes in Geneva. Moscow's application for observer status will be formally discussed for

Wednesday: UK, advance energy statistics for February; meeting of the tripartite National Economic Develop-ment Council. US, domestic car sales for March. West Germany, March unemployment (down 15,000).

Thursday: UK, February housing starts and comple-Friday: US, March non-farm

payrolls (up 175,000) and civilian unemployment rate for March (5.3 per cent), consumer credit for February (up \$3bn). Canada, March unemployment. France, Franco-German economic consultations in Paris.
Saturday: Group of Seven finance ministers and central

bank governors meet in Paris. During the week: W Germany, February manufactur-ing orders (up 1.5 per cent), industrial production (flat), trade and current account balances (DM11bn and DM8bn). March final cost of living index (up annual 2.7 per cent).

## Kleinwort Benson

## **Tate & Lyle PLC**

has disposed of its

Unitank bulk liquid storage interests

**GATX Terminals Corporation** 

We acted as financial adviser to the vendor

The Kleinwort Benson Group

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### INTERNATIONAL CAPITAL MARKETS

THE SOVIET Union's mounting arrears on its import payments have not impeded its ability to arrange financing for its first-ever purchase of Western aircraft at interest rates normally accorded only to the

world's best borrowers.

Aeroflot, the Soviet airline, has obtained a \$350m financing to cover the purchase of five Airbus Industrie A310-300 wide-bodied jets, the first of which is to be delivered in late 1991. A special purpose company, based in France, will own the aircraft and lease them to

When the loan is repaid 12 years from now, ownership of the planes will revert to Aero-flot. The loan is said to carry a margin of % per cent but when the effects of French tax laws on lease arrangements are taken into account the Soviet Union will be paying a rate somewhere below Libor.

The financing occurs just as agreed to delay for five years a FFr300m trade payment owed by the Soviet Union to Lurgi France, the French arm of a West German-owned engineering group. The company's announcement was the first admission by a leading West-ern creditor that it has had to restructure the financing of a large project in the Soviet Union, French officials stressed that they did not expect the restructuring to be repeated

for other borrowings.

Meanwhile, in a significant setback to the Western governments backing the Aeroflot loan through their export credits guarantee agencies, the Soviet Union's own guarantee is provided only by its Ministry

### MUROMARKET TURNOVER (\$m)

rnawy	OVER LOSS.				
USS Prev Other Prev	Straights 1,197,7 2,401.0 1,783.4 753.4	5.0 0.0 0.0 0.0 7.1	FRN 0,0 45,0 348,0 1,092,8	00a 11 546 11 733 2 654 3 307	
Secondar USS Prov Other	7 Market 23,323,5 24,414,5 21,144,5 22,264,6	730.5	10,910,1 6,024,4 1,721,4 5,820,7	8,409 7,767 41,380 39,970	i
USS Pres Other Prev	Cad 13,80 14,03 31,34 30,07	7.7 4 6.9 3 2.8 4	2 339 4 9 141 6 2 951 6 4,074 2	753.1 56.141. 53.172. 74,294 74,148.	4
Word to	March 29, 19	70			

of Civil Aviation. The export credits guarantee agencies had originally sought a guarantee from Vnesheconombank, from Vnesheconombank, which controls the supply of foreign exchange in the USSR. Nearly all of Soviet foreign borrowing is arranged via Vneshe conombank while the Ministry of Civil Aviation has no access

to foreign exchange on its own.
As is typical with purchases
of Airbus planes, the financing is 85 per cent guaranteed by Coface, the French agency, Hermes, the West German agency, and the Export Credits Guarantee Department of the UK. Commercial bank financing is being arranged jointly by Crédit Lyonnais, Dresdner Bank, Moscow Narodny Bank and Banque Commercial de Europe du Nord, itself an arm of Vnesheconombank.

Up until late last year the Soviet Union had an impeccable record for punctual repayment of debt and, as a result was able to borrow at very fine terms. But its delays in making payments to trade creditors are

likely to have changed that.
Still, bankers involved in the aircraft deal point out that the structure offers considerable comfort for them, even if the guarantee agencies are unhappy. For one thing, the loans are secured by the air-craft themselves — assets which have proven to increase in value over time due to demand for a limited supply. And as part of the government-sponsored insurance cover the aircraft are carrying repossession insurance in case, on default, the Soviet Union declines to turn them over to

And while the Ministry of Civil Aviation has no foreign exchange of its own, Aeroflot itself is a large generator of foreign currency which can be used to service debt.

The existence of insurance cover - albeit only on 85 per cent of the commercial bank the loans as government risk, which carries a zero risk weighting for capital adequacy purposes. French banks must set aside capital for only 5 per cent of their lending on the project to borrowings, thus cutting their costs and making the deal more attractive.

Norma Cohen

# Soviet arrears fail to impede Aeroflot deal The Soviet Union's of Civil Aviation. The export mounting arrears on its impact of 1990 will be remembered as one of tine toughest periods faced by the Eurobond manufact. The Soviet Union's of Civil Aviation. The export mounting arrears on its impact of 1990 will be remembered as one of tine toughest periods faced by the Eurobond manufact.

Eurobond market in recent years. The sharp and sudden reduction in Japanese equity warrant business has put great strains on the market's already fragile profitability and has a significant shake-out among underwriters.

In simple volume terms the public markets have shown some resilience in the face of the unexpected absence of Japanese equity warrants. Total issue volume of \$43.12bn equivalent is unspectacular, but far

from disgraceful. In 1989 the first-quarter figure was \$61bn while in 1988, following the October 1987 The impact of the decline of equity warrants needs to be put in perspective.

Last year over the same period some \$19.75bn of bonds with warrants was launched, the bulk of it for Japanese companies. This year the comparable figure is just \$6.2bn, indicating that the extraordi-nary volatility on the Tokyo stock market affected the Euromarket almost immediately. The table of leading under-writers provides further evi-

dence - this year's list is dra-matically different from its 1989 equivalent. Then, with the equity warrant business in full flow, Japanese houses dominated the top positions.

Today Nomura stands alone, Daiwa has slipped to 5th place, Nikko to 8th and Yamaichi has dropped from 4th to 15th place. To some extent this confirms

	Tat q	marier 1990	Tel quarter 1989					
Rank	Currency	Total raised (Sha)	No. of	Hank	Total raised (Shu)	No. of		
1	US\$	16.56	81	1	36.16	168		
2	D-Mark	6.23	36	4	4.53	33		
3	Starling	6.07	31	2	6.03	34		
	Yen	5.45	86	6	3.23	48		
5	Ecu	3.92	25	7	2.84	26		
6	Lira	1.16	В		0.47	6		
7	63	1.01	18	6	3.38	53		
B	FFr	0.94	8	8	0.01	10		
9	CZ	0.68	7	3	5.17	44		
10	Schilling	0.67	1	_	-			

speculation last year over the extent to which the Japanese houses had diversified away

from equity warrants.

Nomura is established as the leading Eurobond house, top-ping the overall table for the second year running. It started diversifying earlier than its rivals and did so most successfully. However, its market share dropped from 17.26 per cent to 12.21 per cent, while its volume of business haived. Of the other Japanese houses, Daiwa has done the most to spread its presence. In retrospect its \$400m straight

icant breakthrough. By con-trast, Nikko and Yamaichi look distinctly vulnerable in a non-equity-related environment. Unusually, the table gives a good indication of wider trends in the market. For example, UBS Phillips & Drew enjoyed a remarkable first quarter, rising from 13th place last year to 2nd. If Nomura's \$2.65bn of

issue for the Republic of Austria last December was a signif-

stripped out, UBS Phillips & brew claims top spot, while Deutsche Bank would be 2nd.
Arguably, UBS Phillips & Drew is reaping the benefit of a judgment which last year was premature—that the Ecu market would become inconscipule.

ket would become increasingly institutionalised as demand for Ecu bonds grew. It has also found clearer direction after completing the disruptive merger with Phillips & Drew. Deutsche Bank's presence has been consolidated, helped

by the resurgence of the D-Mark sector, particularly for floating-rate issues. That trend also helped Commerzbank to haul itself from obscurity to 11th place.
Credit Suisse First Boston.

increased its market share while giving an unintended insight into the difficulties faced by underwriters. As a leading house in the US dollar sector it had to wait until mid-March to bring its first straight

momentum of last year.

Bankers Trust and Merrill
Lynch both declined sharply to
18th and 29th respectively. Merrill has completed just three deals worth \$309.8m. It may be that both houses are operating under tight con-straints from their headquar-

ters in New York.
As usual the tables tell only part of the story. Most worry ing for underwriters must be the squeeze on profitability that goes with reduced volequity warrants used to be translated directly into profits.

While the small chub of four Japanese lead managers kept most of the revenue stream, a precious trickle of guaranteed come reached other houses Now that this has temporarily dried up, underwriters have had to look elsewhere.

What appears to he happening is an inexorable concentration of business as fewer

houses demonstrate capacity to conduct broad Euromarket operations. Two forces in par-ticular are acting to this end.

The first is the fixed-price reoffer method of syndicating new issues. When this began

last September, as Morgan Stanley brought its deal for New Zealand, few predicted the speed with which it gained acceptance as the typical method of launching large dollar isanes

Its effect has been to put business not only with a

10,84 1 12.21

Source: IFR BONDBASS

smaller number of lead managers, but also with much tighter

industry totals

syndicate groups.

The days of multi-member-ship on such transactions seem to be over. This has meant that on occasions, when the straight markets are open for possible issues, any profits are being distributed between

The second force is the extraordinary volatility seen on the world's securities markets this year. For underwriters as well as market-makers, volatility greatly enhances the risk of running a book. Clearly, a house with a limited amount of business and profits will find it harder to tolerate and

manage risk than a more suc-

cessful rival. So where do profits he in the current market? According to syndicate officials there have been good profits in some straight issues. The main revenot in fixed-income but in international equity deals.

Nevertheless, syndicate managers are understandably unwilling to talk down the prospects for the Eurobond market. Private placement activity, although running below last year's levels, is reported to be holding up well, with the emphasis increasingly. placed on tailored or struc-

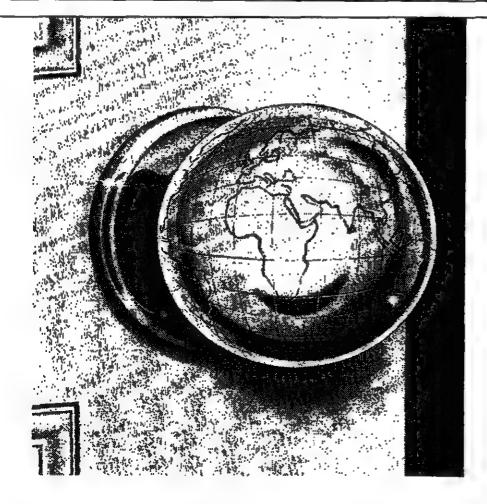
Andrew Freeman

## NEW INTERNATIONAL ROND ISSUES

Borrowani	Amount m.	Maturity	AV. Ille	Coupon	Price	Book number	Other years
US DOLLARS							
Sanwa Canada(i) ♦ Hachljuni Asia(j) ♦	30 25	2000 2000	10 10	00	102 102	Sanwa Int. Mitsublehi Fin. (HK)	-
AUSTRALIAN DOLLARS							
Gouncil of Europe(i) ♦ Fin.Co.South Australia ♦ NatWest Australia ♦ Amro Australia ♦	50 50 50 60	1991 1992 1993 1996	1 2 3 5	17 <sup>1</sup> 2 15 <sup>5</sup> 8 15 <sup>1</sup> 4 14 <sup>3</sup> 4	1013 <sub>4</sub> 101.90 101.70 101.86	Bankers Trust Int. CCF NatWest Capital Mits Amro Bank	15,479 14,464 14,398 14,208
D-MARKS							
Hydro-Quebect♦ Petroleos Mexicanos♦ Rautaruukki Oy**	500 100 50	2000 1995 1995	1D 5 5	(d) 11 <sup>1</sup> 4 9 <sup>1</sup> 4	100 100 100	Commerzoank WmiLB J.P. Morgan	11.250 9.250
SWISS FRANCS							
Oest. Laenderbank(b)♦♦ ECUs	100	2000	-	514	100	Handelsbenk NatiVest	5.250
Italy, Republic of  Compagnie Bancaire  Belgium, Kingdom of(g)  ♣	15n 80 300	2000 1992 2006	10 2 10	10¾ 11½ (g)	100.15 101.95 100	Parities Capital Mits Parities Capital Mits Parities Capital Mits	10.725 10.371

Borrowers LIRE	Amount m.	Meturity	Av. Ilte years	Coupon %	Price	Book runner	Offer yield
ENEL(a)‡♦ LLIXEMBOURG FRANCS	500bn	2000	10	(a)	100.50	Benco di Roma	
Banque Worms-Paris*** Union Bik of Norway(h)** FGH Finance NV** Pabelfima BV**	300 800 300 300	1996 1995 1995 1995	6 5 5	Zero 10 10 <sup>1</sup> e 10 <sup>1</sup> 4	48.5 102 101 % 101.95	C.d'Epargne de l'Etat Kradietbank Int. Kredietbank Int. 8GL	9,46 9,47 9,63 9,73
FINNISH MARKKA							
Fastighstabanken Finland   YEN	100	1995	5	13	(c)	Privatbanken	
Toronto-Dominion Bank Saille Mao & Council of Europe	ริกก 106ก 1 <b>06ก</b>	1996 1983 1995	6 3 5	(e) 7.4 7.4	101 7 101.10 101.20	Sumitomo Trust Int. Daiwa Secs. Daiwa Secs.	7.10i 7.28

Recement. 499th equity warrants, (Convertible, Picetic les from April 1981, First coupon set at 12.7%, b) linch 3F p to FAZTON may be issued until end Decamper 1990, o



## Today there's a new door opening on the world's markets

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Daito Securities Co., Ltd

Head Office: 4-3, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo 103, Japan

**Philips** 

brushes off

is the world's biggest tooth-

brush maker. However, it is to lose its

dominant position in this mar-

ket with the sale of Anchor

Advanced Products of the US

to the toothbrush subsidiary's

Philips has brushed aside

questions about the sale price, saying only that Anchor was in

the black and had sales of

## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## Robotron begins to split as units opt for autonomy

ROBOTRON, one of the biggest industrial concerns in East Germany, is beginning to split up as some of its operating companies decide to go their own way, in spite of efforts of top management to keep it

together.
"I don't think this kombinat (group) can stay as it is," said Mr Hans Fischer, head of one of Robotron's 21 subsidiaries There will be deep and rapid structural changes. The cost sures are too great."

pressures are too great."

He was speaking at the opening of a DM200m (\$118.5m) printed circuit board plant near Dresden, planned as an in-house supply source for state-owned Robotron to save The pressures on Robotron

illustrate the huge problems East German industry faces in. coming to terms with the free-market economy after decades of state planning.
Mr Fischer, director of Robo-

**GAF** vice

chairman

faces jail

MR JAMES Sherwin, vice

chairman of GAF, has been

sentenced to six months in jail for manipulating the stock price of Union Carbide, a com-

peting chemical company GAF had tried to acquire in 1986. Judge Mary Johnson Lowe said, the prison term would

"send a message" to others thinking of abusing the mar-

Mr Sherwin was convicted in

December of making a secret agreement with Jefferies, a Los

Angeles stock brokerage, to buy blocks of Union Carbide

stock to drive up its price. This enabled GAF, when its take-over bid failed, to unload its

stake in Union Carbide for \$5m

more than at earlier market

The prosecution said Mr Shelwin had acted "out of greed and not financial neces-sity."

Speaking to the court for the

first time, Mr Sherwin did not

admit at his sentencing to any

wrongdoing. He will appeal.

makes measuring equipment, said the plant could no longer survive just as a supplier to the rest of the group. Thus contacts had begun with foreign companies, such as Mitsubishl of Japan, to find new custom-

one Robotron unit has already signalled its intention to leave the main group. The Sommerda plant, which makes printers and office equipment, is proposing to turn itself into a shareholding company to be owned mostly by its employees. Sommerda employs about 11 600 people out of a total 11,000 people out of a total Robotron workforce of 65,000

people. Mr Friedrich Wokurka, head of the Robotron kombinat, has said he wants to keep the group together by forming it into a holding group and inviting foreign partners to take shareholdings. However, Mr Fischer said the idea of remain-

tron-Messelektronik; which ing as a tied supplier to Robotron was no longer feasible for his company, which has 4,600 employees. The new Dresden plant, built

by West German companies, would be kept busy in the first year by supplying Comecon countries and the domestic market. After that it would compete on the open market. He felt that leaving the main Robotron group would allow 40 per cent of the shares in his unit to be kept in trust for sale to East German citizens, 10 per cent to be offered to employees and the remaining 50 per cent to be available for outside part-

Robotron Messelektronik has already signed a co-operation deal with Philips of the Netherlands, while the Sommerda company has agreed to work with Aquarius, a Taiwanes computer company. Other parts of the group have signed similar deals in specific areas.

has not been outstanding. Last year 10 foreign securities companies indicated an interest in setting up invest-ment trust subsidiaries, but it

approve fund

groups

By Ian Rodger in Tokyo

FOUR fund management

groups, three British and one US, are expected to win

approval to set up investment trust management subsidiaries

The four are Warburg Investment Management

Japan, Jardine Fleming Invest-ment Advisers (Japan) and MIM Tokyo, all subsidiaries of UK securities groups, and Fidelity Investment Manage-

ment (Japan), a subsidiary of the US group. Moves to liberalise Japan's

huge Y51,000bn (\$324bn) investment trust market have been under way for some time.

Only 14 domestic securities

companies are now allowed to operate these trusts, and there

have been allegations that the lack of competition has meant the performance of their funds

in Japan later this year.

to take the plunge.

The main challenge for the foreign companies will be to obtain distribution for their funds; the four intend to establish links with Japanese secuthis end.

Many of the companies wanted to sell minority share-holdings in their investment trust subsidiaries to their Japanese partners to cement these relationships. The Ministry of Finance initially opposed this idea, but eventually agreed that up to 30 per cent of the equity could be sold to outsid-

ute between 25 per cent and 30 per cent and Jardine about 25 per cent. Fidelity, on the other hand, intends to maintain 100

are not put off by the recent stock market fall. Mr Yoshio Hoshino, president of Jardine, said: "It will be at least six months before

## Japan set to Mondadori shareholders' management meeting delayed for talks

CONTROL of Mondadori, Italy's leading publisher, hangs in the balance following the postponement to tomorrow of a crucial shareholders' meeting which could resolve the uncer-

tainty facing the company.

The extraordinary shareholders' meeting, originally sched-uled for last Saturday, was put off at the request of Mr Silvio Berlusconi, the Italian television magnate, amid signs that he and Mr Carlo De Benedetti, the Italian entrepreneur, may be nearing a settlement.

According to Mr Berlusconi, the delay will "give space for negotiations to see if there is a possibilty of reaching agreement" in the long-running battile for control of the group.
Separately, Mondadori
announced that sales jumped
to L2,380bn (\$1.91bn) last year

By William Dawkins in Paris

ACCOR, the leading French

hotel and restaurant group, yesterday reported a 29 per cent increase in net operating profits last year, to FFr606m (\$106.8m) against FFr469m in

This is a slowdown from the

in 1988, writes Haig Simonian in Milau.

Operating income rose by 9.2

per cent, or 13.6 per cent on an

The dividend remains unchanged at L65 for ordinary

shares and L85 and L95 for con-

vertible and non-convertible

savings shares respectively.

djusted basis, to L2,455bn.

from L1,495bn in 1988. In a submission to Italy's stock market authority before the shareholders' meeting the company also forecast that gross operating profits would be between L60on and L70bn higher than the L237bn reported in 1988. regulations, failing a special However, the group's net finan-cial position has swung from a surplus of almost L220bn at the end of 1988 to indebtedness of L364bn last year.

to seek a negotiated settlement, possibly along the lines of a division of the spoils set out by Mediobanca, the power-ful Milan-based merchant bank, follows a court decision last week appreciably strength-ening Mr De Benedetti's hand. Mr Berlusconi's position has also been handicapped by steps

this year by 33 per cent to

Asset sales brought net attributable profits including exceptionals up to FFr736.6m

last year, a 29 per cent increase

on the previous period's FFr570.8m.

Group sales, managed by Mr Gérard Pélisson and Mr Paul Dubrule, rose from FFr16.4bn

to FFr19.9bn as the number of

hotels in operation or under

Mr Berlusconi's willingness

in the Italian parliament to

Accor advances to FFr606m

toothbrush subsidiary pass legislation limiting the By Laura Raun number of linked broadcasting and newspaper interests one group can own. With three television channels under his PHILIPS is not only an electronics giant. The Dutch group has another, less belt, Mr Berlusconi would be certain to fall foul of the new well-known claim to fame - it

arrangement in his favour. Less clear are the reasons for Mr De Benedetti's preparedness to call a truce when victory appears so close. He suffered a string of setbacks this year following a reversal of shareholding alliances at Amef, the holding company controlling a bare majority of Mondadori's ordinary shares. Mr De Benedetti's Cir group has had a boost following last week's court decision which appears to bring control of Mondadori's affairs within his

development rose by 109 to an end-of-year total of 856.

Accor plans to open another 120 hotels this year in Italy, Britain, France, Spain and the

The group attributed the

profits rise to a generally

favourable economic environ-

ment in Europe and a good year for tourism, which led to

an increase in occupancy in all

Far East.

### Fl 140m (\$73.6m) in 1989. The unit was bought by the

managers.

Dutch group in 1967. But Philips had a hard time remembering exactly why Anchor was bought and could not say how many toothbrushes it made. It seems that in the mid 1960s North American Philips Corporation, the Dutch company's US subsidiary, got its teeth into a variety of busicals, furniture, buses and musi-cal instruments. But it has since sold most of these compa-

Anchor, which no longer fits into the corporate strategy of Europe's largest electronics maker, will be bought by senior managers and Thomas H. Lee Company, a private investment firm based in Bos-

### Group Delhaize to increase dividend 25%

GROUP Delhaize "Le Lion." the Belgian supermarket company which has a significant US presence, saw consolidated profits jump last year 33.8 per cent to BFr3.21bn (\$91.4m) on sales 23.4 per cent higher at BFr2e0bn, writes Tim Dickson in Brussels. The dividend is to be raised 25 per cent.

Turnover rose by 10 per cent while sales of Food Lion in the US rose 23.6 per cent to \$4.7bn. Net income for Food Lion rose 24.2 per cent to \$139.8m. Food Lion plans to open another 100 stores in 1990.

## Slow quarter for US takeover activity

By Roderick Oram in New York

WALL STREET saw little improvement in its business during the first quarter. Take-over activity continued to con-tract while debt and equity underwriting volumes advanced moderately from year-earlier levels, atthough they were well down from late 1989 levels. Fees were also nightly higher.

The value of acquisitions leurched in the period slipped.

launched in the period slipped to \$59.3bn from \$63.7bn a year earlier and the number of deals fell to 371 from 414. There were fewer hostile deals and more mid-sized ones.

IDD Information Services, which compiled the data, said: This decrease seems to indi-cate that the flurry of mega-deals and hostile transactions characterising the late 1980s may finally be subsiding." Shearson Lehman Hutton was the leading financial adviser with 25 deals worth

\$25hn. Wasserstein, Perella was second (nine deals worth \$24.5bn), Goldman Sachs third

(12, \$23.4bn) and Lazard Frères

Total underwriting volume of domestic US bond and equity issues in the quarter rose to 1,392 issues worth \$78.07bn from 931 worth \$72.37bn a year earlier. But the latest period was well below offerings worth about \$90bn in the fourth quarter of last year.

Merrill Lynch was first (173 issues, \$13.16bn, compared with first place with 105 issues worth \$13.38bn a year earlier), Goldman Sachs was second (126, \$11.69bn; second, 88, \$10.69bn) and Morgan Stanley third (67, \$10.38bn; fifth, 50,

Of the total, non-convertible

debt issues accounted for 1,252 deals, worth \$69.48bn, against 845, worth \$67.7bm, while common stock issues totalled 118, worth \$7.12bm, against 68, Total fees booked by Wall

Street firms edged up 5 per cent in the quarter to \$592m from \$564.1m a year earlier.

previous year's 40 per cent profits growth, but the group, which is the world's eighth largest hotel company, said it was aiming to lift net profits

Snia reveals 20% decline in net profits equity could be soid to outsiders, provided no single party held more than 5 per cent. Warburg will offer about 25 per cent of the equity in its subsidiary, MIM will distrib-tion between 25 per cent and 30 SNIA BPD, the textiles, chemicals and munitions subsidiary of Italy's Flat group, reported a fall of almost 20 per cent in net profits to L68.2bn (\$54.7m) last year from L84.9bn in 1938 writes Hele Simonian

per cent ownership.

The companies hope to start operating in the autumn and

we can start. By then the climate will be better."

## ISE examining rules on debt instrument buy-ins

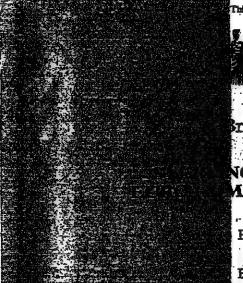
**By Norma Cohen** 

THE International Stock Exchange is studying existing rules governing buy-ins by issuers of their ewn debt instruments to see whether changes are needed to its rules on the nature and timing of per cent to L203.2bn in the year, while sales advanced 4.1 information which must be dis-

The ISE said the exchange was focusing on rules contained in its "yellow book" which do not require an issuer to announce a buy-in unless 5 per cent of the outstanding debt has been purchased.

Market practitioners have pointed out that the existence of a buy-in programme can distort the value of the stock. The ISE is also examining rules which require companies to announce their intention to alter the capital structure

immediately after board approval is obtained. However, market practitioners have noted that buy-ins may often occur without spe-cific board approval, thus elim-inating the public disclosure



## **Building Society**

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£150,000,000 G COMMERCIAL PAPER AND MERCIAL PAPER PROGRAMME

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March 1990

BARCLAYS de ZOETE WEDD

## BusinessWeek

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# Strategies translated into/profits

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Profit before taxation	£250.5m	+26%
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**US MONEY AND CREDIT** 

## Fed's hawks poised to gain upper hand

WHILE it is widely believed on Wall Street that the Federal Reserve's Open Market Com-mittee left monetary policy unchanged at its meeting last week, a few voices suggested that opinion within the Fed might be edging towards

Certainly the committee beard at its previous meeting in February strenuous arguments for more aggressive action to curb inflation, judg-ing by minutes released on Friday. The hawks were Mr Rob-ert Boykin and Mr Lee Hoskins, presidents respec-tively of the Federal Reserve Banks of Dallas and Cleveland.

Mr Hoskins believed "the underlying inflationary pressures were relatively strong and...the balance of risks pointed to a need for greater monetary restraint to curb such inflation," the minutes

The Fed was running a risk by delaying tightening "until there was full confirmation of inflationary pressures," Mr Boykin argued. However, the committee finally voted in February eight to three for an unchanged policy. Healthy debate and dissent-

ing votes are typical of the FOMC, but the fact that the consumer price index has risen 8.3 per cent at an annual rate in the three months ended February is adding heat to the dis-cussion. Last week's meeting of the FOMC must have been

as lively as February's.

Mr Hoskins' opinions of inflation and growth must be formed in part by what he sees on his doorstep. The mid-west's regional economy is arguably one of the most robust in the

country at the moment. Further evidence to support that came on Friday with the release of the purchasing managers' monthly survey for Chicago, including the neighbouring manufacturing heartland of Illinois and Indiana. The activity last month was 55.1 per cent, up from 51 per cent in February and 46 per cent in January, A number above 50

IN ITS launch of an Eculbn Eurobond for Italy on Friday.

Paribas issued the largest Ecu

bond yet into the Euromarket.

The 10-year deal, carrying a

writes Deborah Hargreaves.

Paribas issues Eculbn bond

Wall Street, nervous, about

wan street, her burchasing managers' national figures this morning, promptly knocked about half a point off the price of the Treasury's benchmark long bond.

While the Chicago district is

renowned for turning in vola-tile figures which overstate the often indicated the general direction, according to Griggs and Santow, a firm of money market economists. Analysts forecasts of the national figure lack unanimity but many are calling for a small increase to

about 48 per cent. Last week's strong figures for manufacturing orders and a recent rise in spot prices for many industrial commodities are further evidence of the

industrial rebound.
"The bottom line is that the worst appears to be over in the manufacturing sector," said Ms Maria Ramirez, the former money market economist for Drexel Burnham Lambert. "If this is the case, it argues fur-ther for monetary policy to be biased toward higher rates

down the road."
The FOMC meeting last week might well have sent a policy directive to the Fed's trading desk "skewed toward tightening in the next six weeks if the economic numbers warrant it and if conditions in foreign exchange markets sta-

10% per cent coupon, tapped large underlying demand for

fixed-price reoffer at 100.15.

ers its momentum.

per cent indicates increasing belp conduct the once-in-a-dede national census.

On the foreign exchange side the dollar continued to rise last week, apart from a sinking spell on Thursday. The trouble then was speculation that Japanese authorities had suggested the country's institutional investors curb their appetite for dollar-de nominated securities, forbear-ance which would help shore up the sagging Japanese markets. The rumours were denied in Tokyo but the trepidation per-sisted in New York.

"Fears of Japanese selling continue to overhang the Treasury market," Salomon Brothers said on Friday. "The rash of Treasury security sales inspired by Bank of Japan efforts to stem the yen's decline may persist as long as the path of policy in Japan remains unresolved."

Currency traders will be looking apprehensively this week to the Group of Seven meeting in Paris on Saturday. "With the yen continuing to weaken against the dollar and the D-Mark, the G7's grip on currency stability is rapidly slipping," James Capel's London economists said.
"Unless the G7 meeting...can come up with a

miraculous new strategy for currency stability, the next few months will herald a period of increased volatility and uncer-tainty in the foreign exchange

Further currency turmoil and attendant fears over for-eign investor participation in Treasury auctions is the last thing the markets need at the Such concern was one factor

Treasury announced the sale of more 40-year bonds by the Resolution Funding Corp. the agency that raises money for the savings and loan bailout. The Treasury's first attempt in January to sell such a lengthy bond was a disaster. Demand was meagre, prices plunged and retail investors

behind the tumble in long bond prices last week when the

picked up the bonds cheap in the secondary market. Such a long bond "bids up the whole market. This extra cost should be considered when calculating the full cost of Refco to the Treasury and taxpayers," said Griggs and

picked up the bonds cheap in

Santow.

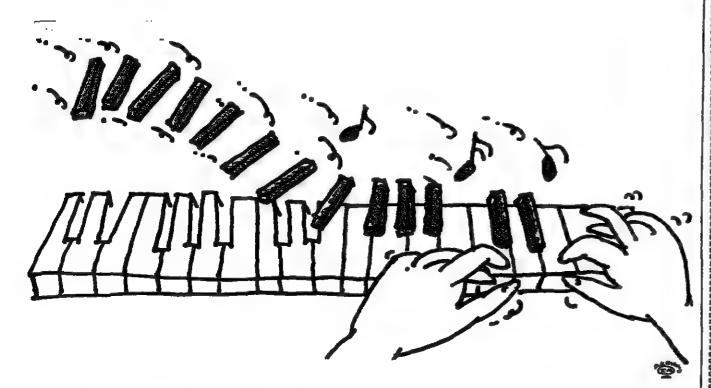
Details of the Refco suction. will be released on Wednesday. The volume of bonds likely will be small – probably no more than \$5bn – but enough to burden the markets as they continue to slog through uncertain terrain.

Last 1 4 4 12 march 12-march

Roderick Oram

ollise." she said.		Friday	9ča	990	High	LOW
But it is a fairly big if on both counts. This week the markets get their first glimpse of the economy's progress in March, and the picture should	Fed Funds (versity average). Three-moreth Treasony bills Str-month Treasony bills Str-month Treasony bills Three-mostle prine CDs 30-day Commercial Paper 90-day Commercial Paper	8.25 8.22 8.40 8.35 8.30	8 19 8 12 8 24 8 40 8 30 8 27	8.25 7.92 8.08 8.25 8.20 8.13	9.92 €11 9.37 10.35 9.58 10.05	N.00 7.20 7.18 8.10 8.05 8.10
not be too disturbing. As well	US BOND PRIC	CES A	ND Y	(ELDS	(%)	
as the purchasing managers' survey, the other main event is the release on Friday of		Last Fri.	Change on set	Yeld	1 week ago	4 wk ago
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US MONEY MARKET RATES (%)



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## Favourable outlook for ERM entry

THERE WAS a slightly fresher mood in the markets last week. Maybe it was the lack of statistics or the bright spring sunseine, but the Budget now seems to be seen in a more favourable light and there has been less concern over the pound's prospects.

The market is, above all,

looking forward to full UK entry into the European Mone-tary System. This has moved away from the realm of strategy. Comments from Mr John Major, the Chancellor, and Mr Robin Leigh-Pemberton, Governor of the Bank of England, fleshed out the tactics for entry, emphasising the importance of getting inflation down to the point where we are on a converging trend with Europe.

ERM has come to resemble the Holy Grail; it would give us stability of exchange rates, new investment, lower infla-

make us good Europeans. For the gilts market, ERM entry would clearly have benefits. It would remove much of the uncertainty about sterling, it would thus, all things being equal, allow us to have lower interest rates or a stronger pound, or some mixture of the two. The market would be able to reduce both real and nomi-nal rates and it would see inflows of capital from abroad. The question is for how long these effects would hold good and what the other effects of

ERM entry would be, particu-larly on the conduct of mone-

tary policy. In view of the unwonted optimism which

tion. lower interest rates, and

UK gilts yields Restated at par (%) Mar 23, 1990 Mer 30, 1990 10 years 20

seems to prevail in the Conservative Party and in the markets, several commentators have decided to do a little

puncturing.
Mr John Shepperd, of War-burg Securities, said the benefits would be relatively clear in the short-term: a reduction in interest rates as the risk pre-mium was reduced and capital flowed in, and upward pressure on the pound. Interest rates would have to be held steady to maintain pressure on infla-

This is why we would find it hard to enter now - with lower inflation, ERM entry "would be a useful adjunct to policy, at the moment it seems to be in conflict." There is even a risk that sterling bumps its ad on the ceiling of the EMS band, necessitating either a realignment or a cut in interest rates. This is behind the argument that sterling should enter at a high rate, at the bottom of a fairly wide band. A high rate would hit Britain's international competitiveness and put pressure on the balance of payments. A low rate, leading to short-term interest rate cuts, might result

in the need to tighten rates six months later to squeeze demand out of the economy and to support a slipping cur-rency — the real test of com-mitment to the EMS. Gloomier still, Mr Roger Bootle, of Greenwell Montagu, said that the inflows of capital that were expected after entry depended on a fundamental reassesment of sterling's stabil-ity, rather than just the belief

that the EMS provided limits to its fluctuations. If the weak-nesses of the UK's economic position were still evident, this reassesment might be lacking. On this basis, the EMS becomes a "strait-jacket" to policy— albeit a deflationary one which may make the Conserva-tive Party's task of winning the next election harder. Mr David Smith, of Williams

de Broe, underlined the point about the credibility of UK anti-inflationary policy. It was not just going in but staying in, he said. In the early 1970s the UK entered and left the "snake," EMS's ancestor, after only six weeks. The markets were certain to test the IIK Government's sticking power, and would want to see commitment to containing inflation.

If this view prevails the window of opportunity for sterling bonds as high-yielding instruments with low currency risk disappear very quickly. All that may be left is hot money pushing down short-term rates while long-term rates rise.

Several analysts emphasise the pressure that EMS entry puts on the conventional instruments of monetary pol-icy. Different interest rate elasticities already mean that changes in UK interest rates have a disproportionately large impact on the domestic economy compared with rate changes in other EC states. If rates are coming down in the ERM, for instance, the UK will have to adjust without using the exchange rate.

It is possible that some presents with the exceed by greater.

sure might be eased by greater use of the gilts market to prop up long-term rates - in effect, a return to overfunding.

The answer seems to lie in two things. First, it will be nec-essary to find the right rate for sterling's entry by instilling confidence in sterling early, probably at a higher rate than today. Second, the Government must underline the credibility of monetary policy by keeping real interest rates high and hoping that domestic demand continues to weaken.

Thus some of the upside of full ERM entry should accrue to the market before the date of accession; but many of the benefits afterwards may be limited by the desire for stability in short-term interest rates and the necessity of keeping inflationary pressures down.

Andrew Marshall

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### UK COMPANY NEWS

## Time could be against Sketchley buy-in plan

By John Thornhill and Andrew Bolger

SKETCHLEY, the beleaguered ley rejected. Compass's industrial services and approach arguing that the cleaning group, is continuing company had recovery potential and needed a more focused in the hope of escaping the management than Compasscontract cleaning and services

But Mr John Gillum, Sketchley chairman, conceded yesterday that it might be difficult to reach any agreement within the time scale of the Compass. offer. "There is a problem of dealing with these things under the glare of the flood-lights," he said.

in its defence document posted at the weekend, Sketch-

Bernerd stake

in Chelsfield

By Nikki Tait

could provide Mr Gerry Robinson, Com-

pass chief executive, said yea-terday he was sceptical of the talk about a management buy-in and thought it was in the best interests of Sketchley's shareholders to settle the matter quickly. "It is bloody dangerous to leave a service company floating around and the longer this hangs on the more difficult the task becomes to put things with a to put things right."

Compass launched its hostile all-paper bid for Sketchley last month after Godfrey Davis, the motor and laundry group, had withdrawn a £126m offer.

Compass — which Sketchley approached as a potential white knight against Godfrey Davis — has so far ruled out increasing its offer but it has been looking at ways of making its terms more attractive to

On Friday, Compass's shares closed unchanged at 3220, giv-ing its offer a value of about 260p per Sketchley share, compared with the market price of 271p.

quarter of 1989 because of the disordered state of the elec-

tronics market.

• F Copson, the building equipment and hotels group.

also announced that its results for the year to April 1990 would be substantially below

market expectations because of poor trading conditions. This prompted a 30p fall in the

share price to 56p.

JMD Group, the USM-quoted paper company, has announced that it will pass its dividend for 1989 after writ-

ing off costs associated with

the sale of two businesses.

lifted to 80%

Mr Elliott Hernerd has increased his holding in Chels-field International, the parent company of Chelsfield, from 50 per cent to 80 per cent, since Chelsfield launched its bid for

Mr Bernerd, however, maintained that the higher holding had been planned for many

Laing Properties with Peninsu-lar and Oriental Steam Navi-

Laing Properties said over

the weekend that the increase was "further evidence that Mr

Bernerd thinks Laing shares

are cheap at 725p (the new bid

Laing is understood to have been pressing for more disclo-sure about Chelsfield's structure. The details have been revealed in the revised offer document from Pall Mall Properties, the vehicle for the joint

Mr Bernerd's family trusts now own 80 per cent of CIL. The other two shareholders are charitable foundations, the beneficiaries of which are unnamed but unconnected to Mr Bernard.

The document also shows that shareholders funds are £130m, and debt is below £5m. CIL has recently switched its country of incorporation from Panama to Bermuda, although this took place before the bid.

## More profit warnings

By John Thornhill

SHARES in Forward Group fell heavily from 70p to 38p on Fri-day when the electronics company announced that it appeared certain to incur a small overall loss for the year. Mr John Goulding, chief executive, has resigned from the company and been replaced by the chairman, Mr Ray Chamberlain.

The causes of the company's

difficulties are continuing problems at two recently-ac-quired subsidiaries, Technographic Microcircuits and Silicon Microsystems, and reduced

trading margins in the last Interest hits Adwest profit

Having to pay interest charges has pulled down Adwest Group in the half year ended Decem-ber 31 1989, and the pre-tax profit fell from £4.88m to

The interim dividend, however, is unchanged at 1.25p, from earnings of 4.5p (5p).

The group saw turnover rise to £58.81m (£46.34m) and trading profit to £5.21m (£4.83m). Interest charges, of 2872,000 (eredit 254,000), were expected to rise as a result of acquisitions and new investment, but had been further increased by

### BOARD MEETINGS

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	Aspen Communications CRC Investment Trust	Apr.

## **BAT** rejects Hoylake's criticism of defence costs

By Nikki Telt

BAT Industries, the tohacco-based conglomerate which has been under bid threat from Six James Gold-smith's Hoylake consortium, has sent a brief reply to his complaints about the costs of its defence and the share buyback programme.
The response, understood to

ron to around three or four paragraphs, was sent from BAT's solicitors. Herbert Smith, to SJ Berwin, acting for

According to RAT it "rejects entirely the criticisms which were made". It declined to elaborate further on the contents of the letter.

Sir James wrote to BAT on March 19, and had requested a reply by March 30. There have been suggestions that this might be a prelude to legal action against BAT directors, although such a move would be very exceptional in the UK. The Goldsmith letter made no direct reference to this, but Hoylake is understood to have

taken counsel's opinion before emberking on its written que One Hoylake representative

described the reply as "not helpful". The former bidder is now understood to be reviewing the position in the light of BAT's response, although there were already some indications that the matter may not be allowed to rest here.

### FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: Abtrust New European Inv. Tst. (Section: Investment

Warrants (Investment Trusts) GT Chile Growth Fund

(Finance Land) Do. Warrants (Finance

Gartmore Emerging Pacific Inv. Tst. Warrants (Investment Generis Malaysis Majo Fund

(Finance Land) Midlands Radio (Leisure) Novalal (Chemicals) Victoria Petroleum (Oil &

NEW fund-raising technique has started to dominate the British corporate finance markets. The

suddenly become the UK corporate sector's favourite medium for £100m plus issues. Recent weeks have seen a 2200m (partly paid) issue from Reckitt & Colman and a £100m issue from Hepworth, both made to finance acquisitions. On Friday, CRH, the building materials group, announced a 79 per cent take-up for its 1£75m convertible, which was accompanied by a \$72m offer to international investors. In total, around £1bn of issues has

been made over the past year. Part of the popularity of convertible capital bonds has been achieved by default. Rights issues of ordinary shares are currently out of favour with investment institutions and companies are discouraged from making conventional bond issues by 15 per cent base

capital bond issues (CCBs), first used in a domestic issue by SG Warburg for a £150m J Sainsbury offer last year, exploits the potential advan-tages of both bond and equi-ties. For a start, the interest on CCBs is deductible from corpration tax hills which gives the bonds an immediate advantage over convertible prefer-

Secondly, because conversion into equity is virtually certain, the bonds can be classed as equity on the bal-ance sheet and the effect on gearing ratio can be quite substantial. A company with £200m of debt and £400m of shareholders funds which made a £200m conventional bond issue to fund expansion

### NMW Computers back in black

NMW Computers, which provides computer accounting services and systems to stock-brokers, made profits of £87,000 pre-tax in 1989 and expects to return to growth in

operating cost reductions cou-tributed to the achievement.

the current year.
The profit compared with the loss of £1.33m in 1988. The dividend is again 0.25p. Mr Ewart Bibby, chairman, said the start of facilities management sales and significant

would be 100 per cent geared. Using a CCB, shareholders funds are increased and the gearing ratio is only 33 per

New favourite in times of high interest

convertible capital bond has In order to persuade auditors to treat CCBs as equity, the bonds are structured so that, technically, they convert into preference shares before they convert into ordinary. Since the issuer can force conversion into the preference shares, merchant banks arranging the bonds have argued that they should be treated in the same way as convertible preference issues, ie as equity. There are also frequently fail safe provi-sions within the bonds which ensure that they will be con-verted, whether voluntarily or

> A third advantage of CCBs is that, as with other convertible issues, investors are prepared to accept a lower coupon in return for the potential "kicker" that can arise from conversion into ordinary. This presents substantial interest savings in the short term, although of course only at the expense of future equity dilu-

However, the impact of such dilution is minimised by the convertible nature of the issue. The conversion terms are normally set at a small premium to the market price; conventional rights issues, and even placings, have to be made at a

One further argument in favour of CCBs is that they allow companies access to the Euromarket which can, on cer-tain occasions, offer interest rate advantages over the domestic bond market. Although there have been some Euroconvertible prefer-

Eurobonds in paying their dividend gross; European investors tend to prefer holding bonds to UK preference shares, which

are subject to ACT. Of course, the fact that CCBs appeal to issuers does not necessarily mean they appeal to investors. Last year's \$300m issue from British Airways. offered to shareholders on a four-for-nine basis, achieved only a 6 per cent take-up. That issue was sabotaged by last October's mini-crash on the world's stock markets, following the failure of a buyout for the US airline group UAL. Ironically the issue was launched to part-finance BA's

aborted participation in the

issuer has to take account of the relationship between the coupon on the bonds and the dividend on the ordinary shares after conversion. The ideal time to convert is when dividend growth overtakes the coupon payment - the so-called "crossover point" -since investors will then avoid income loss. According to SG Warburg, investors tend to favour a crossover point somewhere between five and seven

years after issue.
But investors still face the risk of a decline in the company's share price which will make conversion unattractive. It is possible to offer protection in the form of a put option, allowing holders to sell back the bonds at certain dates. By offering a put, issuers can achieve a lower coupon on the issue but recently two developments have discouraged the granting of these.

The first is heightened awareness of the problems faced by Saatchi & Saatchi, the communications group. Its 1988

Philip Coggan on the growth of convertible capital bond issues issue of euroconvertible preferallowing investors to redeem the shares in 1993. The £210m which Saatchi will then have to repay is more than its current market capitalisation. Saatchi's salutary example will probably discourage finance directors from offering a put, unless there is also a safety net

for the issuer. Another difficulty is the rise in interest rates over the past two years. Companies often protect themselves against the cost of granting a put by including a call option, allow-ing them to buy back the bonds in certain circumstances. But high interest rates increase the theoretical price minimum price at which com-panies must redeem bonds under a call. The only way of reducing the price of a put would be for companies to raise the coupon on the issue, a self-defeating measure.

Puts have not become obsolete - one was included in CRH's offer and in Boots' £155m Euroissue, launched in January. The latter also included a provision enabling Boots to sweeten the terms on the bond which might discourage investors from using their option to redeem in January

look likely to be popular as long as interest rates remain high. The Association of British Insurers, an influential group of investment institu-tions, has no objections to the concept of such issues. So far, companies have been careful to head off objections by offering to shareholders those issues which involve the potential creation of substantial amounts of equity.

## Aitch meets its targets

IN SPITE of a depressed market Aitch Holdings, the diversified fashion group, met its objectives in the year ended November 30 1989 and returned to profit with £553,000 pre-tax.

Mr Harry Rogers, the chairman, said trading conditions were still difficult but he was confident the group would con-tinue to reap the benefits of all the changes and improvements made in the last 12

The profit compared with a

loss of £1.27m for the previous 14 months, and came from turnover of 237.66m (£19.69m). Earnings were 1p (loss 4.1p). Operating profit was £1.5m (loss £821,000) and was boosted

by a £442,000 exceptional gain ties (debit £506,000).

Interest charge came to £1.4m (£381,000), but should greatly reduce in the current year as a result of property sales and raising of new capital

### DC Gardner advances 53%

DC Gardner, the training and consultancy group, lifted pre-tax profits 58 per cent from £1.05m to £1.6m for 1989.

Turnover was £9.9m (£6.1m). Mr Colyn Gardner, chair-man, said that as part of the move to focus on core activities, offers were being sought for the trading activities of Constance Spry Cordon Bleu.

Earnings per share were 11.4p (10.7p). There is a final dividend of 3.2p for a 4.3p

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### Daiwa Securities Co. Ltd.

Introduction to

The International Stock Exchange, London

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Daiwa Europe Limited S.G. Warburg Securities Kleinwort Benson Securities Limited

> Brokers to the Introduction S.G. Warburg Securities

The Council of The International Stock Exchange has admitted to the Official List all the shares of common stock of ¥50 par value per share of Daiwa, Securities Co. Ltd. The number of authorised shares of common stock is 2,000,000,000, of which 1,300,931,330 shares were in issue on 28th February, 1990. Dealings in the shares of Daiwa Securities Co. Ltd. will commence at 9.00 a.m. on 2nd April, 1990. The shares of Daiwa Securities Co. Ltd. are already listed on the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange.

Listing Particulars relating to Daiwa Securities Co. Ltd. are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be obtained during normal busine hours on any weekday (Saturdays and Bank Holidays excepted) up to and including 4th April, 1990 from the Company Announcements Office, The International Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 18th April, 1990 from:

> Daiwa Europe Limited
> S King William Street, London EC4N7AX

S.G. Warburg Securities 1 Finsbury Avenue, London EC2M 2PA

Kleinwort Benson Securities Limited 20 Fenchurch Street,

2nd April, 1990

## 

### ALLIANCE LEICESTER Alliance & Leicester Building Society £200,000,000

Floating Rate Notes due 1993 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 28th June, 1990 has been fixed at 15.4375% per annum. The interest accruing for such three month period will be £389.11 per £10,000 Bearer Note, and £3,891.10 per £100,000 Bearer Note, on 28th June, 1990 against presentation of Coupon No. 7.

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Union Bank of Switzerland London Branch Agent Bank

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HMC MORTGAGE NOTES I PLC

£150,000,000

Mortgage Backed Floating Rate Notes June 2017

For the interest period 30th Masch, 1990 to 29th June, 1990 the Nouss will bear interest at 15½% per annum. Interest payable on 29th June, 1990 will amount to £3,864.38 per £100,000 Note.

Agent Benk: Morgan Conructy Trust Company of New York London

## OTTOMAN BANK

NOTICE IS HEREBY GIVEN, in accordance with Article 29 of the Statutes, that the ANNUAL GENERAL MEETING of Shareholders will be held on THURSDAY, the 3rd MAY 1990, in the BEAUFORT ROOM, THE SAVOY HOTEL, STRAND, LONDON WC2R 0EW at 11:30 am to receive a Report from the Committee with the Accounts for the year ended 31st December 1989, to propose a Dividend and to elect a Member of the

By Article 27 of the Statutes the General Meeting is composed of holders, whether in person or by proxy or both together, of at least thirty shares, who, to take part in the Meeting, must deposit their shares and/or their proxies at least ten days before the date fixed for the

In Istanbul, at the Head Office of the Company or

at any of the branches. In London, at King William House, 2A Eastcheap,

London EC3M 1AA.

in France, where Shareholders are now legally obliged to deposit their shares with SICOVAM, they must adivse the blocking of their shares through their Deposit Agent to Banque Paribas, 3 rue d'Antin. 75002 Paris or to any of its Branches or Agencies in France where proxy forms will be

The Report of the Committee and the Accounts which will be presented to the General Meeting are available to the Shareholders at the Head Office In Istanbul and at the offices in London and Paris

2nd April 1990

## NOTICE

TR STEPHENS

Secretary to the Committee

to the holders of the outstanding £150,000,000 Senior Variable Rate Notes due 1994 of

BRISTOL AND WEST BUILDING SOCIETY (the "Society")

constituted by a Trust Deed (the "Principal Trust Deed") dated 19th September. 1989 made between the Society and The Law Debenture Trust Corporation p.i.e. (the "Trustee") as Trustee for the holders of the Notes (the

NOTICE IS HEREBY GIVEN TO THE NOTEHOLDERS THAT in order more precisely to reflect the provisions of the Remarketing Agreement and the Deed Poll as referred to in the first paragraph of Condition 6(h)(i) of the Notes, such paragraph has been modified by a First Supplemental Trust Deed dated 14th March, 1990 made between the Society and the Trustee.

Any Noteholder who wishes to inspect copies of the Principal Trest Deed or the said First Supplemental Trust Deed or to obtain a copy of the first paragraph of Condition 6(h)(i) of the Notes as modified thereby may do so at the specified offices of the Paying Agents listed below:— PRINCIPAL PAYING AGENT

Bushern Trust Company I Appoid Street London EC2A 2HE OTHER PAYING AGENTS P.O. Ben 807

14 Boulevard E.D. Ro L-2450 Lucrahor

BRISTOL AND WEST BUILDING SOCIETY

This advertisement is issued in accordance with the regulations of The Stock Exchange. The Council of The Stock Exchange has agreed to admit all the existing Ordinary shares of 5p each in the Company to the Official List. It is expected that admission to the Official List will become effective and that dealings will commence today, Monday, 2nd April, 1990.



NORFOLK HOUSE GROUP plc

rated in England and registered in England and Wales under the Companies Acts 1948 to 1981 No. 1718406) INTRODUCTION TO THE

**OFFICIAL LIST** Arranged by

**Barclays de Zoete Wedd Limited** Share Capital

Authorised £2,500,000 issued and fully paid £1,838,909.65 Ordinary shares of 5o each The Group operates through three divisions: roadside development, petrol retailing and sales promotion. Listing Particulars relating to the Company are available in the statistical service maintained by Extel Financial Dimited. Copies of the Listing Particulars may be obtained during normal business hours-(excluding Saturdays), up to and including 4th April, 1990, by collection only, from The Company Announcements Office, The Stock Exchange, 48-50 Finsbury Square, London EC2, and up to and

including 16th April, 1990 from: Norfolk House Group plc Elv House 37 Dover Street London W1X 3RB

2nd April, 1990

Barclays de Zoete Wedd Limited Ebbgate House 2 Swan Lane London £C4R 3TS

Mortgage Funding Corporation No 1 Plc £175,000,000 Class A-1 \$25,000,000 Class A-2 Mortgage backed floating

rate notes March 2020

For the interest period 30 March, 1990 to 29 June, 1990 the Class L-I Notes will bear interest as 15.675% per annum. Interest payable on 29 Jane, 1990 will ount to \$3,909.01 per \$100,000 note. The Class A-2 notes will bear interest at 15.875% per annum. Interest payable on 29 June, 1990 will ount to \$3,957.83 per

Agent: Morgan Guaranty Trust Company

JPMorgan

\$100,000 note.



£75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 29th March, 1990 to 29th June, 1990 has been fixed at 15%4 per cent, per annum, Coupon No. 17 will therefore be payable on 29th June, 1990 at £1.929, 79 per coupon from Notes of £50,000 nominal and £192.98 per coupon from Notes of £5,000 nominal.

> S.G. WARBURG & CO. LTD. Agent Bank



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# No FT? No problem in Japan

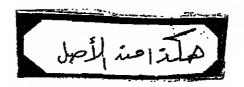
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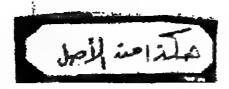
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## FINANCIAL TIMES MONDAY APRIL 2 1990 25 FT UNIT TRUST INFORMATION SERVICE ● For Current Unit Trust Prices on any telephone ring direct-0636 4 + live digit co Berwen Shiping & Co L. M. Could. Brown Shiping & Co L. M. Could. Brown Shiping & Co L. M. Could. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & All D. & Zolo Mallow. British & M. Ship & Mallow. British & M. Ship & Mallow. British & Mallow. Briti AUTHORISED | Description | Tax | Description | Colored | The property of the property o UNIT TRUSTS Michraphithm Unit Trust Mages Ltd (1000)\* J Barnet Line Partern für Eile 1AJ (707 45194 Emigreen Pint ... 6 (71.78 72.07 77.529 64 4645 Eilen Sternet ... 5 (44.45 44.5 44.79.53) 6454 Eilen Sternet ... 5 (55.87 54.97 46.311.32 6094 Eilen Sternet ... 5 (55.87 54.97 46.311.32 6094 Eilen Sternet ... 5 (56.87 57.97 71.498.00 664) Eilen Sternet ... 5 (46.16 8.7.79 71.498.00 664) Eilen Sternet ... 5 (46.16 8.7.79 71.498.00 664) | Image: 1879 | Total | Description | | Hightibute Unit Trust | Eneropers Link | CL0001| | Admin. 5 | Imployin Rg. | Incident, Empetersed, Speech | S | Agram Units| ... 3 | 12-11 | 6-11 | 6-12 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 12-16 | 1 MANN Unit Manupers Links (1900)H Montherman Unit Tel Montret List (1.200M) PO Unit 2017 Services, Care Cell 13 127 Empires (2277 2270) Bullon 1277 Services, Care Cell 13 127 Fourthy incomes ... 50 Bullon 1277 Services, Care Cell 13 127 Fourthy incomes ... 50 Bullon 1277 Services, Care Cell 13 127 Fourthy incomes ... 50 Bullon 1277 Services, Care Cell 127 Fourthy incomes ... 50 Grant Services ... 50 Grant Units ... 50 Grant Units ... 50 Grant Units ... 50 Grant Cell 17 50 Grant Units ... 50 Grant Cell 17 50 G \$ \$ W Magners ... \$197.25 97.24 104.82.53.49100 Brownings Unit Tot Maners Lot 0.000097 12 Christopers had September ... \$202.278.820 Courie Frimor ... \$3 44.72 \$5.800 40.60 in 94.67 Interms ... \$4 45.70 \$6.800 \$40.60 in 94.67 Interms ... \$5 45.70 \$6.800 \$40.10 \$70.24 \$4.500 Massaco ... \$5 25.80 \$40.80 \$40.10 \$72.44 \$4.500 Massaco ... \$5 25.80 \$40.80 \$6.80 \$72.44 \$1.500 Massaco ... \$5 25.80 \$40.80 \$6.80 \$72.44 \$1.500 Massaco ... \$5 25.80 \$40.80 \$6.80 \$6.80 \$70.80 \$1.500 Massaco ... \$5 25.80 \$40.80 \$6.80 \$6.80 \$6.80 \$6.80 \$70.80 \$1.500 Massaco ... \$5 25.80 \$6. The state of the control of the cont

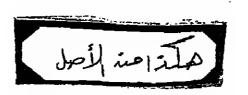
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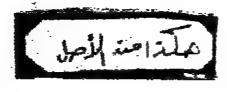
26		FINANCIAL TIMES MONDAY APRIL 2 1990
FT	UNIT TRUST INFORMATION SERVICE	For Current Unit Trust Prices on any telephone ring direct-0836.4 + five digit code (ilsted below). Calls charged at 38p per minute peak and 25p off peak, inc VAT
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Morgan General   196 10 70 51 - 44107   Pen Am Eq. Cap.   31.0 3.2 7   -44106   Equation   22.8 5 230 1	41950   Honey   176.8   188.2   42205   Honey   136.8   264.9   42432   High Yeld Scr 3 Acc.   266.0   56	6.8   424.05 6lik Edged Ser 1 8.2   356.3   370.1   470.05   480.07   418.6   461.11   420.00   420.07   418.6   461.11   420.00
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CONTRACTOR SOLVERS

17



### FT UNIT TRUST INFORMATION SERVICE ● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code ### Management Carp Pics | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. Lid | Providence Capy File | Life Anna. Co. 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Surg Street, Narwick WRI SNG 0603 622200 43218 43218 43218 43218 43221 43221 43221 43221 43221 43221 43221 43221 43221 43221 462 223.9 365.4 115.1 126.7 126.7 126.9 12 - 44077 - 44078 - 44078 - 44078 - 4408 192.1 192.4 172.5 175.5 196.4 272.5 196.4 272.5 196.5 01-405 9222 -1 43512 vari Assurance (Unit Fueds) Ltd ### 1992 | Empatiliment | ### 1992 | Empatil Frendential Heithern Penniane Lin Prendential Heithern Penniane Lin 30 did Britington St. London WILL III. Hamejal St. John St. J. Gental Saulty 2003 251.1 Gental Saulty 2003 251.1 Progential Saulty 2003 251.1 Progential Saulty 2003 251.1 Progential Saulty 2003 251.1 Progential Saulty 2003 250.5 Gental Saulty 2003 251.1 June 2003 - 44189 - 4425 - 4425 - 4426 - 4718 - 4427 -| The state of the content of the co Proprie Aguarante son Can Altinomo Tenap er Mutual Insurance Co Ltd. Pieroser Miritaria (1994) (199 \_ | 40111 Jeen Berten Cry. 102.9 Jernal Berten Cry. 1 | Section | Sect | Scottish Life Investments | 1953 Astron. 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Second Edinburgh | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | 1967 | | Process | Proc Smittle Martinal Important LDT St Vincens St., Elemon Sales, Frank Sales, 137.03 13 198.5 197.74 251.42 151.4 108.64 98.3 198.3 198.3 198.3 198.3 198.3 198.3 198.3 198.3 For Capital Unit and Other Prices rog Cast . 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28		INANCIAL TIMES MONDAY APRIL 2 1990
FT UNIT	TRUST INFORMATION SERVICE For Current Unit Trust Pri	ces on any telephone ring direct-0836.4 + five digit code larged at 38p per minute peak and 25p off peak, inc VAT
13 res Garthe 1 - 1/37 Lucemberry   010 352 Goldschall   15 continuemberry	city for 5	Liad Global Portfalle   513-79   -145546   513-79   -145546   513-79   -145546   513-79   -145546   513-79   -145546   513-79   -145546   -14566   -145546   -145546   -145546   -145546   -145546   -145546   -145546   -145546   -145546   -145546   -145546   -145546   -14566   -145666
Top   1.002   1.004   1.005   1.006   1.006   1.006   1.007   1.006   1.007   1.006   1.007	Blac Chic   C.1.22   2.212   44896   62   23.21   44896   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   44897   62   23.21   62	Warbary   Dr. Mirgent Cale of Maal Ltd
Alpha J spanese   1	Forefuld   1924   1925   192	Trust Funds
Prince Stores   Cor.   10.5 to   10.	10.126   0.125   0.1	and Livelted 2-5 White Hart Yang, London SEIR 1973, 01-378-16785 company (Dismont) inflamed Uni
American Growth   47 to 103 97   48-874   48-8	Color   Colo	## 12.5   ## 12.
US & Control   Secretaries   S	Tard int. Life Find. 122.014 5.1548   45541   55 famous life Jill Dill.   10027 tr. 2010   47855   7027 tr. 2010   47855   702	19.1   17.5   17
Tvery & Sime Penthroke Inc UK Agent, Ivery & Sime Pic. One Charleste Source Supery Enthropy Inc Control of Source Supery Inc Control of Source Su	Special Part   Spec	American Bond Fe    U.S. Oollar   7-30   3.87   2.44   1.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   0.45   1.09   1
Idd	Fig.   Control	25773   246   25775   24670   2500-249   991   11.25   18.65   15.86   15.87   25.90
The Berngkolk Fund  Marrill Lrush Left Carettal Magnett Grey List  Married Realty Res. [1.498] 1 52.0 1 10.0 10.00 144775 00.0 1447	# Agresses Wind . \$1.002   0.99	1943   146.0a   3.7   45746   14.0   15.0
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Larrel Car Act F 4 0 M 20 A 1	Cash Holpe   1.   1518   4   195.65   4	100 Cores Themes N. (nodes ECSR AGO 01-625 6000) 101 Street Themes N. (nodes ECSR AGO 01-625 6000) 102 Street Themes N. (nodes ECSR AGO 01-625 6000) 103 Street Themes N. (nodes ECSR AGO 01-625 6000) 104 Street Themes N. (nodes ECSR AGO 01-625 6000) 105 Street Themes N. (nodes ECSR AGO 01-625 600
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		SS-943.42   montpelland.

علدامة لأحل

28 Don't go off - stay, Cheeky!

1 Prepared to fight a king at

2 Boar - paler variety - from

3 Source of ice, chip fat – and 5! (3,7)

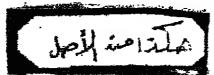
4 Upper part of works submerged by flow (7) 5 Main angle? (3-4)

5 See 25
7 Show fear of 5 on Sunday (6)
8 Tipples ale gently and with style (9)
13 Isolated hair figures in plot

**JOTTER PAD** 

sea (5)

up north? (5,4)



### FINANCIAL TIMES MONDAY APRIL 2 1990 CURRENCIES, MONEY AND CAPITAL MARKETS CROSSWORD MONEY MARKETS No.7,204 Set by FRESCA POUND SPOT- FORWARD AGAINST THE POUND LONDON RECENT ISSUES Yen's decline may 16395 - 1,6500 1790 - 1,925 3124 - 31,44 57,45 - 57,85 10,614 - 10,654 1,0375 - 1,0450 2,774 - 2,79 245,15 - 2,715 177,75 - 178,30 2,654 - 2,935 10,764 - 10,924 9,344 - 9,39 10,044 - 10,934 2,93 - 2,650 11,556 - 1,964 2,455 - 2,484 1,3615 - 1,863 Issue Am'et Latest Price Paki Rennis up Date well be reversed High Low A WEAK yen will not help of I per cent in the Bank of improve strained relations Japan's discount rate was between Japan and the US, but considered too little and too WLL6 **¤Q4.6% | ₹∆** | 2.4 | 11.1 this is more likely to be a short late. It also failed to rescue the rather than long term problem. Comments from Tokyo suggest that the Group of Seven should do more to support the struggling yen. Another rise is expected, but the Bank of Japan and the Ministry of Finance are known to disagree about the need for tighter monetary policy. This is likely to delay any move by the authorities and will not help restore confidence in the yen. Mr Ryutaro Hashimoto, 20 15.25 Japanese Finance Minister, DOLLAR SPOT- FORWARD AGAINST THE DOLLAR will have the opportunity to develop this point of view restore confidence in the Japanese currency. The yen is already at its UK clearing bank base lending rate 15 per cent from October 5 weakest level for over three years, and a rise by the dollar to Y160 cannot be ruled out in FIXED INTEREST STOCKS the near future. But the longer term view may be rather different. As the when he meets other G7 finance ministers in Paris on April 7. If his recent meeting with Mr Nicholas Brady, US Treasury Secretary, is a guide, the meetings of the meeting with the Mr Nicholas Brady, US Treasury Secretary, is a guide, Price £ Closing Price II Acadesis Paris 141 Remund Date High Low underlying strength of the Japanese economy reasserts itself, the yen is expected to improve. Nomura Research Institute forecasts that the dollar will fall to Y140 by the 95s 31spm 12pm 98p 950 28p 25pps 8ps 95p 50p 28p 27ppa 12pm 98p 98p 50p **ACROSS** 1 Cuts off some electricity to the response may not be all he would wish. gallery in the States (9) 6 Man, for example, left before wards the end of London trading, † UK, Ireland and ECU are one copets apply to the US dollar and not to the individual currence. A weak equity market has discouraged the Japanese authorities from taking tough measures to combat rising inflation. The recent increase yarn (5) end of the year and Midland Montagu Research believes the dollar will decline to Y140 9 Struggle to provide me with shelter (5) EXCHANGE CROSS RATES RIGHTS OFFERS shelter (5) 10 No beauty, she takes wrong line with Japan (5,4) 11 Complaint of bird one dreams fitfully about (10) 12 Facing fine reversal on a distant star (4) Clasing Price Paid op within 12 months. Lira CS BFr. Resum Date E IN NEW YORK 2,780 1,687 293 1573 41pm 30 134pm 4pm 44pm 5pm 150 50pm 11pm 6pm CURRENCY MOVEMENTS 440m 37 91<sub>2</sub> pcn 40m 530m 110m 166 60pm 15pm 15pm 44pm 30 14pm 46pm 11pm 150 60pm 15pm 6pm Previou Clase 93.27 1000. 3.364 36.07 0.693 7.432 30/3 --1 10,72 14 We fail miserably when catching Eric's first 5 (7) .6445-1.6460 0.87-0.85pm 2.60-2.57pm 9.20-9.13pm 2.433 15 Henry's one objection to 5 3 months ..... 12 months .... - nothing very strong (7.8) 14 Troubled to arrange face-lift on first of December (9) 16 Roserve name on cover? 17 Exotic fruit contaminated 2.985 4.567 0.786 1.203 0.615 0.941 with haematite, for example – and nitrogen (7) 19 Chekhov, disheartened, cuts STERLING INDEX a big city 5 (7) 20 Not far to go for a piece of plain cheese (4) 22 Decorative label applied to conservationists during test (4-5) 18 Broad area of eastern Yest our 1,000; French Fr. oer 10; Lira per 1,000; Belgian Fr. per 100. England (7) 19 Sailor's solitary 5 (7) SAM and production of the prod 87.4 87.4 87.4 87.4 87.3 87.3 87.3 **EURO-CURRENCY INTEREST RATES** 21 Instrument turning up in collection (5) 23 Robert E. Church, the old 25, 6 Call last two characters BANK OF ENGLAND TREASURY BILL TENDER disappearing with possibly stolen camera equipment physician (5) 24 Copied from newspaperman 15-149 81-81 81-81 81-81 81-81 77-7 101-10 105-10 75-71 115-114 81-81 Leath 3-oth 6-oth 12-oth 16389 16217 15973 15540 Mar.23 Mar.23 under a piano (4) The solution to last Saturday's LEM ATTENUES SE PORTS LINE 26 Out and about, being extrav-Close High Law Pres. 16282 16280 16172 16130 16014 16040 13930 13082 prize puzzle will be published with names of winners on Satagant (5) 27 Edwin's daughter at back entrance? (5) **CURRENCY RATES** urday April 14. WEEKLY CHANGE IN WORLD INTEREST RATES OTHER CURRENCIES Back rate change Unch'd + 1<sub>4</sub> -0.10 -0.01 Unch'd 15 143 154 145870 143 144 Long term Excedo 3 Mth. Treasury Birls ..... 6 Mth. Treasury Birls ..... 3 Mth. CD LONDON MONEY RATES TIANKFURT (heb'd -0.025 -0.050 8.45830 2.20790 2.49510 7.42738 1626.51 204.105 8.55633 141.394 7.99088 1.95731 212.285 0.82547 8.00 8.075 8.325 ż Mar 30 One Year 뉇 PARIS 150 151 141 141 1418 Uech'€ 强 1551 - 45648640 1551 - 45514640 1551 - 45514669950 10 10 10 75 -10 -14 One mouth Three ason 1214 1214 19 (11 (11 (11 )) -1 141 104 101 4 盟 Unch'd -4 쌼 8.20 8.35 4.20 4.25 Dise montis . Tieres mesti CHICAGO I ONDON SHADE SERVICE Treasury Bills (cell); one-month 14% per cent; three months 14% per cent; Bank Bills (sell); one-month 14% per cent; three months 14% per cent; Treasury Bills; Average Lender rate of discount 14.5570 p.c. ECGD Fixed Rate Sterling Export Finance Make up day March 30, 1490. Agreed rates for period April 25 to May 25, 1590. Scheme 1: 15.90 p.c., Scheme 11 & Hill 16.15.75 p.c. Reference rate for period March 1,1990 to March 30, 1990. Scheme IV&V: 15.311 p.c. and further the scheme IV&V: 15.311 p.c. 91.09 91.09 91.04 90.31 91-30 91-18 91-16 91-08 FT LONDON INTERBANK FIXING (11.00 a.m. Mor.30) 3 months US dollars 91.54 91.27 91.09 91.09 90.91 90.91 90.83 90.85 91.17 91.17 91.17 91.00 90.93 90.73 90.73 91.34 91.25 91.08 91.02 90.92 90.93 90.81 MONEY RATES (fore Two Months 2.60 3.56 4.72 6.18 7.72 9.33 10-10-1 10-10-1 83-9-1 8-15-8-25 7-3-7-3 12-12-1 10-10-1 11-12

FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the institute of Actuaries and the Faculty of Actuaries Gross Div. Yield 1969/90 High Sterling Index Dollar Sterting Index Currenc Index per grouping 194,91 111,15 129,45 134,35 169,27 149,70 115,38 82,77 126,36 140,27 81,40 162,50 168,05 116,30 68,55 175,23 145,59 122.06 250.87 132.31 120.23 119.67 245.84 127.26 119.10 227.25 117.89 120.81 123.88 167.84 90.81 134.78 239.06 1169.94 121.89 188.36 169.22 112.86 159.78 84.78 135.28 137.42 -6.1 +53.7 -6.3.7 -4.8 +4.8 +11.0 +5.4 +22.6 -24.9 +22.2 -24.9 +17.3 +8.5 +10.5 -10.5 -2.5 -2.5 -3.9 123.45 261.35 133.88 128.16 234.47 125.76 138.10 123.50 171.42 87.53 207.56 349.75 126.85 55.97 215.71 177.12 178.04 125.56 82.43 135.96 125.96 160.41 285.83 160.02 154.17 260.82 159.16 157.97 137.71 140.33 198.57 102.11 245.32 409.41 145.66 88.18 251.39 169.75 99.12 164.31 146.29 5.78 1.06 4.40 1.41 2.55 2.77 5.01 2.50 2.55 0.44 4.79 2.47 4.73 2.47 4.88 4.74 4.73 2.47 4.88 135,97 135.64 278.78 147.02 140.52 258.64 139.82 154.61 107.71 123.37 123.33 97.82 123.50 237.62 385.33 140.46 60.46 236.63 193.86 193. -10.4 +53.9 -7.7 +6.9 -0.9 +11.3 +3.7 -0.6 +18.4 -10.1 +17.9 -10.2 -2.7 -5.3 -3.3 Australia (82). 275.85 147.46 141.17 258.26 138.54 152.11 136.22 123.39 188.81 140.13 237.59 195.00 196.10 138.29 195.00 196.10 138.29 177.42 90.79 149.75 244.25 127.64 120.01 127.70 116.66 136.30 120.21 123.77 168.76 90.04 139.57 240.10 1160.45 121.87 169.51 169.51 161.14 84.54 135.06 137.77 125.58 124.67 165.35 118.63 112.57 79.56 88.41 125.00 74.97 133.57 143.35 110.63 60.44 139.92 124.57 115.35 138.46 67.81 133.28 112.13 126.46 232.76 125.82 139.13 123.92 111.02 168.48 88.03 121.93 204.84 54.67 125.42 120.6 174.4 139.13 146.08 157.92 74.08 146.14 120.06 117.42 150.23 184.07 157.41 120.82 99.63 126.58 156.43 -1.1 +1.0 -29.9 -20.2 -4.2 +1.7 -4.3 -19.6 -15.7 -14.9 -3.0 124,88 162,33 133,65 130,79 136,24 118,12 137,83 131,11 132,89 132,83 132,30 126.96 172.22 126.53 127.02 125.18 119.93 117.57 127.68 124.82 163.15 137.32 132.87 136.63 117.66 118.36 140,80 189,21 135,08 137,74 137,51 138,26 129,11 138,48 135,74 136,70 139,20 -27 -0.3 -23.6 -16.3 -4.1 +0.4 -1.7 139.84 189.69 139.36 146.66 112.63 126.70 170.27 121.54 3.53 1.94 0.95 2.02 3.49 2.70 5,12 2.08 2.33 2.57 137.95 133.29 135.46 112.79 96.30 111.93 136.48 134.02 134.71 114.51 201.89 194.72 174.18 Pacific Basin (664)...... Euro - Pacific (1654)...... North America (660)...... 123.95 123.75 119.92 116.19 124.62 122.15 123.02 125.27 139,91 137.88 132.10 146.66 135.73 140.05 173.77 129,50 133.13 134.43 134.29 140.63 137.45 138.18 124.79 125.46 126.30 162.00 161.84 145.52 -12.5132,51 120.02 134.53 The World Index (2387)... 137.02 -14.8 123.31 188.53 2.58 133.08 - 12.0

Base values: Dec 31, 1988 = 100; Finland; Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local), 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local), 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local), 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local), 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local), 139.65 (US \$ Index), 114.45 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local), 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local), 139.65 (US \$ Index), 1987 (US \$ Index),

Komuten to Haseko (both Japan)
Canadian and US indices based on closing prices March 30.

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						Index-i	inked		1,17,70 2,237 OC 4,531 4C	amphell Soup 15 hase Marbattan 115 hase Marbattan 116 hern, Barking Corps, heysler Sé la hiticorp S1 hispan Palmothe S1 hoot I Bark Corp 34	2 314 2 4. 164 2 124 2 124 2 144 2 364 2	-1.12 -1.11 -1.07 -3.4 6	527 7 F 312.6 A 112.3 A 825 4 1	LMy Ag Ny Up Jy Oc Ja Kar Jen S D Ry Au M F	2109 2135 214]
	"Shorts" (Liv	es up to Five Ye	ars)	650 Ti	. 2pr 92m(97	(b) (.6)	25 +0.2 14 4 3 +0.3 10	.2 23Mar23sep 13 10 16Mar15Mar	909.50 909.50	ana Corp. S.L.			1	Ry Au N F A1y Au N CMC Ja.So Ar Jo Sa Da	_
550 Tree 600 Trea 955 Trea 1.887 Trea	5. 3pc 1990 5.8½pc 1987–90‡‡. 5. 8pc Cv 1990 ‡‡. 5. 10pcCv 1990	981 +0.2 2 10 983 +0.1 8 11 983 +0.211 12	8 Nov 8 May 1325 15 Dec 15 Jan 1340 16 Jul 16 Jan 4680 25 Apr 25 Dec 1285	900 D 800 D 1,200 D	o. 2pc '9667. o 2½pc '01(78 o 2½pc '03(7 o. 2pc '06(69.	91 15 3.31 12 8.81. 12 51 12	111+0.5 5 140.5 12 +0.7 16 4 10.7 13	2   145   145   13 .2   24Mar 245   13 .10   20Mor 20May 13 .12   19 Jan 19 Jul 13	13 146.80 16 5.13710 17 1.643E 14 467.7E	ata General un & Bradstreet \$2 aton Corpn, 50c. chiln Inc.	5329 274 344 72	43 4. -1.8 3. -4.5 5	413.2 M 5 2.2 F 3 30 6 J	ir Ja So De My Au N 20Abr Jelüc	) 1410
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1,600 Trea 1,400 Trea 1,288 Trea	s 10pc 1992 s. 8pc 1992 # s 10½ pc Cv 1992#.	937 +0.2 15.1 893 = +0.2 7.3 938 +0.1 2.10	21 Aug 21 Feb 1283 130ct 13 Apr 1237 7 Nov 7 May 1289	months poor of RPi to July 198	rior to issue) a 100 in Januar 9: 115.5 and	ind have by 1987, C for Febru	een adjusted conversion fac ary 1990: 1	to reflect rebasing the to reflect rebasing tor 3.945. RPI for 20.2.	19 620.6 P. 2.372.3 Ho 2.401.8 Ho 38.677.41.8	meywell \$1 ½ buston lads. j	111 54 4 ± 28 1 <sub>9</sub>	-3.1 0. -1.4 3. -1.8 8.	3 1.8 J 1 27.2 M 8 10 11 W	No An My Jar Jhro S Dig Ir Jin Se De	919
1.757 Exch 950 Trea	1. 12 <sup>1</sup> 4 pc '92 1.3 <sup>1</sup> 2 pc 1992 3.8 <sup>1</sup> 4 pc 1993	## up to Five Ye     9814-0.21.2.10     9814-0.21.2.11     9814-0.21.1.12     9712-0.21.2.19.3     9412-0.216.10     9714-0.216.10     9714-0.216.10     9714-0.216.10     9714-0.216.10     9714-0.216.10     9714-0.31.11     9714-0.31.11     9714-0.31.11     9714-0.31.11     9714-0.31.11     9714-0.31.11     9714-0.31.31     9714-0.31     9714	25 Feb 25 Aug 1265 22 Mar 22 Sep 1266 18 Aug 18 Feb —		INT DA	WIZ A	unan		0.7444 1,790.6in 1,459.7Lo	en Elect. 636.  Leveral Host Corp \$1  Illette \$1.  American Bart Rr \$1.  Levinound \$1.  Levinoun	. 122 4 20				
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443 Fundi 362 Conver	ng 31 <sub>2</sub> pc '99-04. sion 91 <sub>2</sub> pc 2004li	48[]+1.3 8.12 14 84 2 4 +1.0 19.3 25	Jan 14Jul 1274 Apr 25 Oct 1246	F	DREIGN				T 247 3944m	M Gold Corp J. bot Energy Corp.	170p	-8비 크	-	=	<u>-</u>
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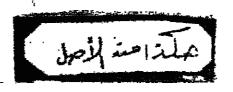
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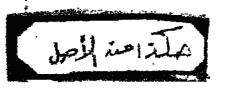
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## Giving the alliance advantage to Japan

ONE AFTER another, top European and American multi-nationals are rushing to forge alliances of various kinds with Japanese partners. In the last month alone, the long list of those which have done deals, or are planning to, has been joined by such notable names as Daimler-Benz (with Mitsubishi), AT&T (with NEC), Texas instruments (with Kobe Steel) and Pilkington (with Nippon

Sheet Glass).

This is a very different pattern from a few years ago when the majority of western companies forging links with Japan were weaklings desperate to find products and tech-nology with which to prop up their ailing businesses.

The West's desperate quest for Japanese products and technology remains powerful today but the motives of the Daimlers and Pilkingtons of this world tend to be more varied and somewhat more respectable.

Ic some cases there is a real two-way trade of technology, management knowhow, and/or market access - Including to the prized Japanese market.

### Technology costs

In others there is a strong motivation to share the risk of developing costly technologies and products; one of the possi-ble Daimler-Mitsubishi deals, in zerospace, falls partly into this category. A defence against a different type of risk that of potential takeover may also have helped drive Pikington into its partnership with Nippon.

Many of these deals are

between competitors – with high risks to both sides. More curious, however, is that the most immediate – or obvious beneficiaries, especially in terms of market access, often seems to be the Japanese.

To Pilkington, the immediate pay-off of its deal with Nippon is an immediate cash injection of \$230m. In exchange it has given Nippon a 20 per cent stake in its main US subsidiary, which is the maker in the US, and General Motors' biggest supplier. Market benefits for Pilkington will be longer-term: It hopes to sell more safety glass to Japanese car makers in America and also to gain more access to Aslan markets, eventually perhaps including Japan.
In the Dalmier-Mitsubishi

case, the balance of benefits to each partner over time is tempossible to read, not least because no actual joint ven-tures have yet been signed. But one does not have to be a soothsayer to conclude that, in the short term, Mitsubishi is likely to gain more - through access to the European single market and by its association with the famous Stuttgart "star" – than will Daimler elther in the Japanese market or in joint product development for the world market.

### Early benefit

There is nothing either unusual, or peculiarly Japanese, about two partners extracting different degrees of benefit from an alliance at different times of its life. But since Japanese partners are usually better at learning from their western allies over time than vice versa, the boot really ought to be on the other foot: the western side benefiting early and the Japanese later.

As the general manager of Honeywell Europe says in a Business International study published today\*: "the main risk of an alliance is that your partner has the skill of transferring knowbow, and you

terring knownow, and you don't. In the case of Asian competitors, that skill is embedded in their culture... while we are resistant to change."

As yet, few western companies have developed the learning and implementation skills demonstrated by Ford in its long-standing relationships long-standing relationships with Mazda, and those which Motorola is trying to practise in its close relationship with Toshiba. GM certainly seems to have learned less than

Toyota from their NUMMI small cars joint venture. For western companies, there are two far-from-easy answers to this conundrum. First, learn how to learn. Second, never give your partner an even break - if you do (pace W.C. Fields), you may

prove to be a sucker.
\* Making alliances work: lessons from companies' successes and mistakes. Business Interna-

Christopher Lorenz grounds that it could well

harles Murray, the US writer and social sci-entist, believes almost

should be abolished.

He first advocated this extreme policy in Losing Ground, a trenchant attack on the Great Society programmes of the 1960s which some say became the bible of the Reagan

administration.

Murray did not argue that welfare programmes should be slashed because the US could not afford them. Nor did he bother to make a case for lower taxes. He focused on the recipi-ents of benefits.

ents of benefits.

His thesis was that the welfare system should be scrapped because it damages those it is intended to help: the poor and

disadvantaged.
What kind of man, I wondered as I waited for Murray at Washington's elegant Willard Hotel, arrives at such a harsh conclusion? An arrogant aristo-crat? A soulless scientist?

no means. Balding and good-humoured, Murray is a homey American – the kind of neighbour you might expect in a pleasant suburb. He was born in Newton,

lowa. His father, who started "dirt poor" and could afford only a single semester at a local community college, worked most of his life for Maytag, the washing machine maker. Murray used his brains to escape this relatively hum-

ble beginning.
A bright student, he took degrees at Harvard and MIT before joining the peace corps in Thailand

Murray spent six years in Thailand. It was a formative experience.

As a "change agent" in the peace corps, he discovered he was unable to change anything. Effective development seemed to occur only when instigated by the villagers themselves. He also discovered he could be happy despite enduring what was by US standards an extremely low stan-

When Murray returned to the US, he joined a Washington thinktank and spent most of the 1970s evaluating social pro-grammes. After voting for Lyn-don Johnson in the 1960s, he found himself steadily drifting to the right. The Great Society policies he was analysing just did not seem to be working. Since nobody read his technical reports, he decided to write

Murray admits that when he began Losing Ground, he had no idea he would end up urging such radical solutions as the abolition of welfare ben-efits, the dismantling of the public school system and the repeal of affirmative action leg-Islation.

"I progressively wrote myself into a corner," he concedes, where these were the only intellectually-honest answers. At its simplest, Murray's the

MONDAY INTERVIEW

## How to be cruel to be kind

Michael Prowse talks to American social scientist Charles Murray

incentives. The problem is that the social policies invented by well-intentioned middle class professors create thoroughly perverse incentives.

Thus in 1960, a poor youth

who got a girl pregnant had little option but to get married

and seek employment.
After the Great Society,
alleges Murray, changes in
benefit rules, legal precedents
and social norms had tipped the scales decisively against marriage and a low-paid job. Although these were still the right long-run strategies, they looked stupid in the short term. It seemed more rational not to marry, to let the girl pick up welfare cheques as a

### PERSONAL FILE

1943 Born lowa, US; educated at Harvard and MIT 1965 Joins peace corps in Thailand 1970s Social scientist, Ameri-

can institutes for Research 1984 Publishes 1985 Senior Fellow Manhat-

tan Institute 1988 Publishes in Pursuit of Happiness and Good Government 1989 Diagnoses emergence

single parent and to resort to crime or casual work in the black economy while drawing

of British "underclass"

unemployment benefit.
The exact arithmetic is unimportant. Murray's point is that by being kinder to people in trouble, welfare reformers ensured that more people would get into trouble and stay

there. He says the phenomenon is not unique to the US.

On a flying visit to Britain last autumn, he diagnosed the emergence of a US-style "underclass" in UK inner cities. Some of the statistics certainly appear alarming certainly appear alarming.

Illegitimate births (in Murray's view a key predictor of social strife) have risen from

in 1960 to 25 per cent today and the recent rate of increase is sharper than anything seen in the US.

The property crime rate is higher in England than in the US. Meanwhile, inner-city youths show a disturbing tendency to withdraw from the official labour.

another aleged sign of an underclass.
Visiting Britain was like "being in a time warp," he says. Experts tried to play down the significance of the illegitimacy figures, arguing

Murray says this is a battle he no longer has to fight in the US: even the sceptics now accept illegitimacy is a prob-

Perhaps Murray has a point. But in talking with him, one want to form gay or single per-son communities but argues port for one parent families) are "subsidising destructive lifestyles." There is no mistaking his preference for "corn-flake families:" Mom and Dad (preferably decently married in church) and a bunch of well-

scrubbed kids.

If welfare benefits under-

"I had many wealthy friends at college whose self-respect was undermined enormously,"
he said. "The practical effect of
abolishing inheritance might
not be so bad." he joked.
In Murray's view, parental
income is a red herring.
He says the inportant thing

official labour market -another alleged sign of an

that co-habiting couples often form stable relationships,

cannot belo noting a moralis-tic, almost puritanical, streak. He is libertarian enough to recognise that people may that US policies (such as sup-

mine the self-respect and productivity of the poor, I pro-tested, why is it that the largesse parents shower on middle class kids does so little harm? Shouldn't inheritance also be abolished?

He says the important thing is to be demanding as a parent - to make children earn their allowances, respect moral values and learn a sense of civic everybody else - respond to around 5 per cent of all births obligation. To test his commit-



## 'I don't expect much from the Bush administration.'

ment to the principle of "earn-ing your way," I asked him to imagine the US after many additional decades of economic growth.

Some time in the 21st can-tury, a social dividend or guar-anteed minimum income for all might become affordable without prohibitive rates of taxa-tion. Everybody could have a small non-wage income as of right. If monotonous full-time employment was no longer a necessity, more people would be able to develop their full potential.

Murray seemed horrified by such a vision. A social dividend would be pernicious even if it could be afforded. Why? Because work is one of the main sources of pleasure in

"We have to figure out some thing to do with our time. That will still be true in 100 years. A guaranteed income would take away one of the crucial ways by which people lead satisfying

In a society rich enough to pay a social dividend, he riposted, there would be no need for a centralised welfare system. Resources would be so plentiful that the feckless and jobless would be able to rely on

local and private charity. More-over, such a society would be far happier than one which

guaranteed benefits.

Returning to reality, I asked whether Reagan had made any social headway during the 1980s. He conceded there had been little, if any, progress. Unemployment among young blacks had fallen quite sharply, but that reflected the economic cycle. Education test scores had stopped deteriorating but were still awful. The crime figures had improved slightly — until the crack epidemic. But Murray does believe atti-

tudes have changed for the bet-ter. People are less certain that welfare is an "entitlement" and they are perhaps beginning to recognise the advantages of decentralisation in social poli-

What did he think of the Bush administration?
"It is moderate, competent and a believer in incremental

solutions," he replied. "I don't expect much from it." But he is gloomy about any government getting to grips with entrenched social prob-lems. The members of an underclass, he points out wryly, will never press for fun-damental reforms which would

reduce their benefits. Nor is a majority of the electorate going to back "radical change in what looks like an uncompas-sionate direction." Ironically, Murray himself seems to have been losing ground in recent years.

ground in recent years.

In Pursuit of Happiness and Good Government, his second and rather philosophical book, makes a spirited case for putting the clock back 200 years and reorganising US society along Jeffersonian lines. The refrain on almost every page is refrain on almost every page is that big government is bad. Sadly for Murray it sold only

Sadly for Murray it sold only about about a quarter as many copies as Losing Ground.
His third book, about the Apollo space programme, was a flop — a reminder, perhaps, of the truth of the second of five solemn social principles enunciated in Losing Ground: "effort is not about rewarded." "effort is not always rewarded with success.

But Murray remains in high spirits. He is collaborating with Richard Herrnstein, the Harvard psychologist, on a fourth book. The working title is Individual Differences and Public Policy. It deals with a taboo subject in the US: the causes and consequences of differences and consequences of differences and consequences of differences and consequences of differences and consequences of differences. causes and consequences of dif-ferences in IQ. Friends told

Murray it would be "professional suicide" to tackle this subject, which is explosive given the the US's racial mix, the low test scores of blacks and the fact that social policies (such as reverse discrimina tion) implicitly assume that differences in individual achievement reflect environ-

achievement reflect environmental factors.

Murray is undeterred. Herrastein has already been
attacked for arguing that IQ is
heritable, that success is
linked with IQ and that, therefore, success is heritable.

If correct the argument has
coming implications. It suc-

ominous implications. It suggests that if progressive forces succeed in ironing out environmental differences, genetic inheritance will become a more important determinant of indi-

vidual success.

Thus policies intended to widen opportunity could ironically create a more stratified society. A self-perpetuating elite would monopolise the top jobs not through nepotism but by through its monopoly of the

top genes.
"We're the only two who can write this book," says Murray with a smile, "because everything that can be said about us has already been said."

## Planning laws limit court intervention

n its judgment, a court may express great regret at its decision. The public is entitled to think either that justice has miscarried or that the law really is an ass.

Neither response, however, is applicable to the Court of Appeal's ruling last Friday, which quashed the decision of the former Secretary of State for the Environment, Mr Nicholas Ridley, to permit the demolition of eight listed buildings in the City of London's central conservation area. It is the nature of our plan-

ning laws and the limited pow-ers of the courts to control the government process for dealing with planning permission that explains the judicial unhappi-

explains the judicial unhappiness at the result.

The regret relates to the inevitable delay that will follow the reversal of Mr Ridley's go-ahead to a scheme for the development of a site near the Mansion House Mansion House.
The development proposed

by two companies owned by Mr Peter Palumbo, the chair-man of the Arts Council, dates man of the Arts council, dates from 1981. Listed building con-sent to redevelop an angular site occupied by the Royal Sil-versmiths, Mappin & Webb, was refused by the Corporation of the City of London after a protracted public inquiry in the cumper of 1984

the summer of 1984. The Minister dismissed Mr Palumbo's appeal but indicated to the City that it should adjust its planning philosophy to the demands of the modern commercial world.

Encouraged by this, Mr Pal-umbo came forward with a plan for a five-storey building, which, while highly attractive to many contemporary architects, incurred disfavour with, among others, Prince Charles, who likened it to a "1930s'

Planning permission was once again refused by the City governors. The scheme was revised but no go-ahead was forthcoming. That led to another inquiry last spring. The preservationists vigor-

ously opposed but the Secre-tary of State's inspector boldly



such as to outweign the heritage of the listed buildings. Despite the volubility of the objectors, the Secretary of State upheld his inspector's

recommendation.

However, in giving his reasons for supporting the inspector, Mr Ridley failed to evaluate the existing listed buildings on the site or to point up the special features of the develop-ment which justified departure from conservation policies declared in a number of depart-At this point, the law

A judicial review cannot call into question the merits of a ministerial or administrative decisions

stepped in: the objectors challenging the decision of the Minister to allow demolition of the listed buildings. The process used was the familiar judicial review. It is a fundamental aboratoristic and indicated and characteristic of judicial review that the merits of a ministerial or administrative decision cannot be called into

question.

The Court of Appeal said as much in this case. It was not concerned with the rights and wrongs of the proposals for the development of the site; that was for the planning authority operating under the ministerial umbrella. Elected representa-

tives and politicians, not lawyers, were the arbiters. The complaint to the courts on the application for judicial review must almost invariably be that some procedural step has been omitted or was flawed by a fail-ure to observe some rule of

Here, the inadequacy of the minister's reasoning in support of the inspector's recommenda tion constituted the procedural vice. The court looks to the process by which the result is reached, not at the result.

Provided that the decision lies within the spectrum of reasonableness, the courts will not interfere, nor even indicate a preference for the rival views. Ministerial decisions are not for judicial double-guess-ing. Objectors to the demoli-tion of listed buildings in the City, no doubt cheered by their forensic victory and for having bloodied the Minister's nose, have won the latest battle, but not the war.

Whether the new Secretary of State decides first to appeal to the House of Lords or to accept the Court of Appeal's

accept the Court of Appeal's decision and reconsider the matter, it all takes time and involves costly delay.

It is the delay which distressed the Court of Appeal judges, where the issue is one over which they are not the final arbiters. They have played their supervisory role played their supervisory role over the dilatory administra-

tive process.

Behind the process of the proper division of functions in planning law between executive governments and judiciary there lurks a public desire for the greater even-handedness and expert evaluating of evidence relating to the substance of the dispute over planning permission that are generally associated with the judicial

mind.
While it might not be wise or sensible to inject any judicial activity into the merits of a governmental decision in the area of planning law or architectural aesthetics, there may be a case for the occasional appointment of a high court judge as the inspector conducting the public inquiry.



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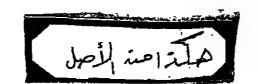


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The Swiss are under pressure to adjust the economic and political practices which made them

respectability of Swiss banking, his

respectability of Swiss banking, his political colleagues have this time reacted furiously, charging him with betraying his country.

Swiss bankars, who in principle resist any political interference with their affairs, applauded happily, when the federal parliament last month amended the penal code to make money-laundering a criminal offence. The confederation is

nal offence. The confederation is

now equipped with one of the toughest laws so far passed in the fight against the abuse of capital

markets by the international nar-

cotics rings.

The list of unusually dramatic events — at least by Swiss standards — that has punctuated the past six months is not exhausted. In

a national referendum last Novem-

ber more than one third of the elec-

tors voted to do away with the mili-tia army that has been regarded as

the bedrock for Swiss neutrality

era Bank (Switzerland) Ltd. and approved for circulation in the U.K. by Nomura International ple, a member of TSA.

into Europe's wealthiest people. William Duliforce poses the

question whether the domestic structure is sufficiently flexible to respond to the calls for change

# Turmoil mars

extraordinary series of events in the past six months. They have seen their first woman cabinet minister which in polemical rather than academic style accused the Swiss banks of knowingly providing a turntable for laundering the profits of the international drugs traffic. Inside Switzerland, Mr Ziegler is brought to trial and acquitted of violating official secrecy laws by passing on information to her busregarded as a political exhibitionist band about a narcotics traffic invesand not taken seriously but, con-scious of the damage his book was doing abroad to the reputation and tigation.

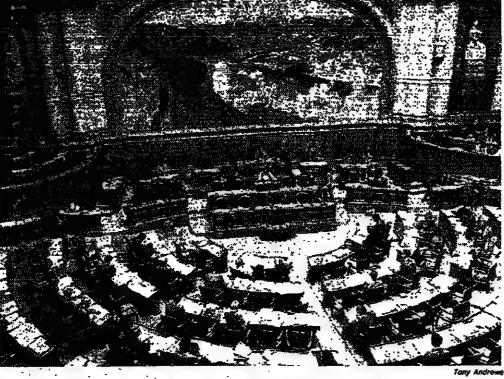
They have discovered that the

federal security police had kept secret files on hundreds of thou-sands of Swiss citizens and foreigners; that their travel to eastern Europe had been recorded; and that the military security department held a register of some 5,000 citizens whose political views, it was deemed, might make them untrus-

twogthy in times of emergency.
The Defence Minister did not know that the files existed. Mr Arnold Koller, Switzerland's President, acknowledged a serious crisis of public confidence in the confeder-

stion's political leadership.
When more than 30,000 people staged a peaceful protest against the secret files in front of the federal parliament in Berne, 100 or so hooded persons exploited the occasion to break into government offices and burn cars. Nobody has yet explained where this well-organised, seemingly disciplined group, equipped with gas to fight the police, came from.

Mr Jean Ziegler, a university pro-fessor and socialist member of parliament, published in France a book 🧀



session: a serious crisis of public confidence in the political leadership

## stable image Switzerland

that can be mobilised in 48 hours, permeates Swiss political, corporate and social life. The boardrooms and senior managements of hig Swiss companies and banks are speckled with colonels, majors and captains. Officer training and promotion in the militia often opens the way to a

career in business and banking.

Against this background the outcome of the referendum, launched two years earlier in a seemingly ess cause by a group of young socialists, was a sharp joit to the complacency of the politicians and the senior echelons of the militia. The defence ministry is already elaborating a reform programme.

Recent disclosures have also shaken public opinion, to an extent that appears to be creating rifts in the traditionally consensual Swiss community. Views on the acquittal of Mrs Elisabeth Kopp, the Justice Minister, are sharply divided. Some regard the verdict as fully justified for a conscientious and effective minister who committed an excusable mistake in warning her hus-band that a company, of which he was a director, was involved in an investigation into drugs moneylaundering. The company has not been charged and there has been no evidence that Mrs Kopp's action obstructed the investigation.

Other Swiss are indignant that Mrs Kopp was given the benefit of and the essential cohesive factor in a disperate, multilingual and dual-religious confederation. the doubt on strictly legal grounds. The army, 625,006 citizen-soldiers

that has run the confederation for decades and has come to believe that it is above normal democratic

The idea that Switzerland behind its system of direct democracy is really governed by a corporatist oligarchy has long been bruited. But some at least have reacted strongly to the uncovering of the secret files and to the charges of laxity in pur-suing narcotics investigations laid against the federal public prosecutor by the parliamentary commission of inquiry set up after Mrs Kopp's forced resignation.

Equally disturbing for many Swiss have been the indications in the secret files that information has been supplied by individuals in cantonal administrations, the post office, travel agencies and private companies and the realisation that a whole secret apparatus has been run by a state within a state of senior civil and military officials outside the control of the elected parliament and government.

A split within the Swiss consensus along age lines may be fore-shadowed. Initial analysis of the national referendum on the army indicated that more than 70 per cent of soldiers forming the "elite" front-line brigades favoured suppression of the army. So did three out of five people between the ages of 20 and 30. The majority that voted to retain the army came from

the older generations and included the bulk of house-owners, farmers and country-dwellers. Hints of a potential political back

FRANCE

Neuchate

□ Population

GDP\* (SFrm) ,

☐ Current Account (\$m) .....

☐ Trade Balance (\$m)

lash to the events of the past six months came in the local election to the Zurich city council in March, in which a coalition of socialists, Greens and independents seized control of Switzerland's banking and business capital.

In large part this domestic tur-moll within a traditionally stable and conservative community of 6.6m people is being created primarily by powerful external pressures. These are being exerted by the European Community's plans for economic unification, by remorselessly strengthening competition from newly liberalised financial centres and by the stepping up of international co-operation, largely at US initiative, in the war against the drugs traffickers.

The Swiss are now under real pressure to adjust the economic and political practices which over the past half century made them into Europe's wealthiest people. These include their banking secrecy, their corporate regulations which protect their businesses against foreign takeover, their federalism and their system of direct democracy.

Switzerland's difficulties in determining its future relationship with the EC were highlighted in the last sion of the federal parliament. government has had to aban-

don its strategy of working out separate agreements for the confederation. In response to Brussels' injunction it has joined with the Nordic countries and Austria, the five other members of the European Free Trade Association, to negotiate

KEY FACTS

☐ Exchange rate (1989 av) ......£ = SFr2.68; \$ = SFr1.64 1989 provisional figures, 1988 figures in parenthesis

ITALY

286.541 /268.800)

a European Economic Space (EES) covering the 18 nations. Parliamentarians were extremely critical of the government's approach, in particular of its failure battle positions over the EES are already being taken. Eleven MPs announced they will fight for full membership of the EC; another group, headed by the team which agitated successfully against mem-bership of the United Nations in 1986, refuses even to countenance the EES, which it claims would

en bloc with the EC on the rules for

dence and institutions. Mr René Felber, the Foreign Min-ister, has said that Switzerland's neutrality, federalism and direct democracy are not up for negotia-tion but it is difficult to envisage a situation in which an EC-Efta understanding on common regula-tions would be made conditional on approval by a majority of the can-tons in a Swiss national referen-

mean abandoning Swiss indepen-

Of late, the Swiss have started to worry about their image abroad, particularly in connection with the secret police files, the "Kopp Affair"

ITALY Km In this survey ☐ Finance

W. GERMANY

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and the drug money scandal which indirectly caused it. In part at least their image of themselves as a Son-derfall, an exceptional case, and their consciousness of the superior-ity of their political and economic institutions have been tarnished. However, a rugged counter-reac-

tion to this narcissistic tendency has already set in. Leaders of the three right-wing and centre parties which have governed the country in coalition with the socialists for the past 30 years are downplaying the discovery of the secret files, arguing that they date back to a cold war era and that lack of governmental and parliamentary control over the security services is a regrettable error which can be corrected by administrative changes.

Two intriguing questions for the 1990s are how flexible Switzerland's domestic political structures will prove to be in absorbing the external pressures for change. And to what extend the politico-business establishment can retain the allegiance of a majority of voters.

In the light of the domestic politi-

cal convulsions of the last six months it is worth recalling a remark by Mr Peter Bichsel, a knowledgeable Swiss author: "I don't believe that the average Swiss cares about democracy, he's interested in prosperity." Indeed, having completed its seventh consecutive year of growth, the economy is still bowling along.



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## Set for another year of growth

THE INFLATION rate is the principal preoccupation of Swiss economists, bankers, house-owners, rent payers and wage-earners alike and will probably remain so for most of the year.

Apart from that concern and leaving aside its vulnerability to a sudden international downturn, the economy appears to be in robust condi-tion, set for an eighth consecutive year of growth even if at a slower pace than in the two

preceding years.

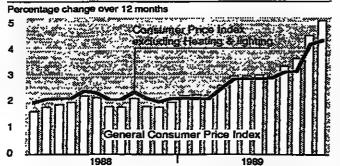
In its latest survey the Federal Office for Economic Affairs foresees a 22 per cent increase in gross domestic product this year following the unexpectedly strong 3 per cent provisionally estimated for 1989, which was a repeat of the 1988 performance.

Capital investments and exports have been the principal engines of recent growth. Swiss industry, having spent heavily on modernising its production apparatus, was in a good position to exploit the rellast year and the exporting opportunities offered by continuing expansion in the world economy. And, apart from a slight weakening in the con-struction sector, almost all branches continue to report expanding order books. At the alists, when questioned, said they planned to boost output.

However, production has been running at close to 90 per cent of capacity, the unemployment rate averaged 0.6 per cent last year and one industrial association after another has been complaining about shortages of skilled workers and the limits imposed on the import of labour by federal and cantonal

Such persistent indications of overheating underline the concern with inflation which has attained a level not seen since 1982. Even more importantly, prices have been rising faster than in the other countries, such as West Germany, usually classified with Switzerland as operating low-inflation

Consumer prices



In January the consumer have a knock-on effect in Switzerland. Inevitably under these circumstances the spotlight has been on the Swiss National

price index reached 5.1 per cent on a 12-month basis. In spite of a slight fall in Februspite of a sight fail in repru-ary expectations are that it will rise again to around 5.5 per cent in May, when the next increase in house rents, trig-gered by higher mortgage

Most forecasters expect a slackening in consumer price

icy. The SNB has not been free of criticism, particularly from bankers who have seen short-term interest rates rise to an unwonted 9 per cent, as the Bank has made money tighter. Criticism has focused not on

Bank (SNB) and monetary pol-

Some economists fear that a resurgence of inflation in West Germany as a result of a monetary union with East Germany could have a knock-on effect in Switzerland

increases in the second half of the year but not enough to push average growth in 1990 much below 4.5 per cent. An encouraging trend has been the decline in the annual rate of increase of the wholesale price index. It has come down from a peak of 4.7 per cent last year, the highest rate for eight years, to 2.3 per cent in February, indicating that one of the main sources of inflation - the rise in the cost of fuel imports aggravated by the weakness of the franc - is losing momen-

Nevertheless, some economists fear that a resurgence of inflation in West Germany as a result of a monetary union with East Germany and heavy spending on reconstructing the East German economy could

the restrictive monetary policy, which has generally been accepted as necessary to tamp down inflation, but on the ambiguity between some SNB decisions and statements. In recent years the SNB has insisted that its instrument in promoting the objective of price stability is control of the monetary base - banknotes in circulation plus giro deposits with the Bank - and that it does not pursue an exchange rate policy.

Last year when the weaken-ing of the franc against the D-Mark was clearly an inflation-promoting factor through the effect on import prices, some SNB moves created confusion. In October it followed the Bundesbank in raising the discount rate but announced

tute a further tightening of

monetary policy.

In December the SNB widened the gap between the Lombard rate and overnight money rates but, following market reaction, it said that it was not drawing further liquidity out

Later that month, speaking with greater clarity, it announced that it would "not tolerate extreme exchange rate fluctuations" and early in the new year Mr Markus Lusser, the SNB president, stated unequivocally that, the Swiss franc having fallen to a critical level against the D-Mark, Swiss interest rates would be pitched higher than German rates for a while. The franc promptly started to recover against the D-Mark.

After the stock market crash of October 1987 the SNB, like many other central banks, supplied more liquidity to the market, to forestall a possible ion, and later discovered that it had exaggerated. In Switzerland the situation was aggravated by changes to rules for the banks' reserve require-ments and the introduction of a new inter-banking clearing system in 1988 which, in the event, produced a quicker than expected in the banks' demand for liquidity From the autumn of 1988 the

SNB tried to tighten the screws, setting a 2 per cent tar-get for annual growth in the monetary base, but the per-ceived ambiguity in its acts and declarations last year left some doubt about its signals and its efforts to clamp down appeared to be largely ineffectual. Now, however, the markets' confidence in the SNB's resolve has been restored and there is a general presumption that, barring international accidents, the Swiss inflation rate will be under control again by the end of the year.

A development which has drawn comment is the 31 per

cent increase in the trade deficit last year, which was trans-lated into a provisionally esti(\$1.7bn) in the surplus on the current account in 1989. This still left Switzerland with a healthy current account sur-

plus of around SFr9.7bn.
The trade deficit is attributable principally to the deterio-ration in the terms of trade as a result of the weakening of the franc last year and to the strength of imports. Import prices rose by 8.5 per cent, while export prices went up by only 6.1 per cent, according to the index of average values. So far in 1990 with a firmer

franc prospects are better for the terms of trade. Import growth had already started to taper off during the second half of 1989, to an estimated 3.1 per cent in volume: export growth, too, declined but at 3.7 per cent the rate was higher than for imports.

Unless the reconstruction of eastern Europe results in a speedier than expected increase in external demand. Swiss exports, domestic demand and capital investment are all expected to expand at a

There is a general presumption that Inflation will be under control by 1991

easured pace in 1990. There is some uncertainty about how private consump tion, the largest single aggregate in the economy, will per-form. Consumption grew moderately in 1989, at around 2.5 per cent in real terms, but at a slightly faster rate than in the previous year.
On the back of full employ

ment, incomes are estimated to have augmented by around 1 per cent in real terms but, dging by a survey conducted in January, consumers are holding off major purchases apart from cars - because of concern about inflation and uncertainty about how the economy will develop. The tight monetary policy and high interest rates are starting to

SWITZERLAND is having to review its position as a haven and turntable for international funds. For many years, the country benefited from a unique combination of uncon-trolled capital and currency movements with neutrality, stability and a rock-hard Swiss franc - not forgetting the attractions of banking secrecy. Today, as Swiss Bank Corpora-tion's chief executive, Mr. Walter G. Frehner said, it is "just one financial centre among

others". This does not mean anything approaching a decline in busiss. The assets of 355 reporting banks grew by 6.5 per cent last year and are running at almost SFr1,000bn, with fiduciary business up by no less than 28.5 per cent, giving an additional sum of nearly SF7350bn.

Hundreds of billions are in portfolios managed by the banking system, whose activities in financial services off the balance sheet made a significant contribution to raising 1989 profits to an unprecedented high. In the markets, the turnover of the Zurich stock exchange bounced back to SFr639.9bn, or just more

than the 1987 record. On the public capital market, net issues worth a nominal SFr37bn were second only to those of 1986. And although foreign borrowings may have fallen off over the year, they still amounted to the respectable total of SFre2 ftm.

The fact is, however, that other locations have been growing faster and competing more successfully at a time of an increasing "globalisation" of financial markets. Most European countries have carried out comprehensive deregulation programmes, while political developments have made the safe-haven status of Switperland less relevant.

At the same time, the Swiss market is at something of a fiscal disadvantage - particu-larly in the form of the stamp duty on financial-market transactions.

The need to take corresponding action is recognised by the political establishment. A committee formed by members of parliament from the four coalition parties, recently com-pleted a report with a series of proposals on improving Switzerland's competitiveness as a financial centre.

included, were proposals on the long-awaited move to scrap stamp duty on trading posttions. Kuromarket issues, money-market paper and transac-tions between foreign principals, as well as a reduc-tion of the levy on domestic bond issues and in the double taxation of companies and These recommendations take

the edge off remarks by Social Democratic Finance Minister ur utto stien ti financial market had reached "critical mass", though there is still no general agreement on how to compensate for the loss of fiscal income.



Banking and insurance district in Lausanne

**FINANCE** 

## **Banking haven** under review

party's suggestions foresee a number of adjustments which need to be made by the banks in the operation of investment funds, the approximation of reporting and other practices of international standards and comprehensive" measures to combat money-laundering.

In fact, the past few years have seen a great deal of activ-ity by the banks themselves to improve efficiency and integra-tion in international markets, As the country's stockbrokers, they have been instrumental in modernising and harmonising the work of the various bourses, notably through the creation of the Swiss Options and Financial Futures Exchange (Soffex) and the agreement to set up the Swiss Electronic Exchange (EBS) for computer trading in straight bonds by the end of this year. The range of banking and financial survices has also been expanded at home and abroad

albeit with necessary retrenchments after individual losses in such foreign centres as London and New York. Further steps are being taken towards the consolidation of published accounts to keep up with international practice, both SBC and Union Bank of Switzerland having just presented their first consolidated

These measures have gone hand in hand with a series of moves to counter abuses of banking secrecy - and simultaneously improve the not B OF SWIS benking. In 1987, the country's Bankers' Association wel-comed new legislation making insider deals punishable offences, as well as tightening

up its own good-conduct code. Last year, the Association of Swiss Stock Exchanges introduced a self-regulatory takeover code. At present, the banks are supporting a govern-ment move to make money-laundering illegal. For years, banks have been increasingly ready to freeze disputed accounts and support international legal efforts.

This does not mean bankers are in favour of all policies of the political powers-that-be Their association has voiced strong objections, for example to some of the proposals of the Federal Cartel Commission against the banks' so-called convention agreements on fees, brokerage and other charges.

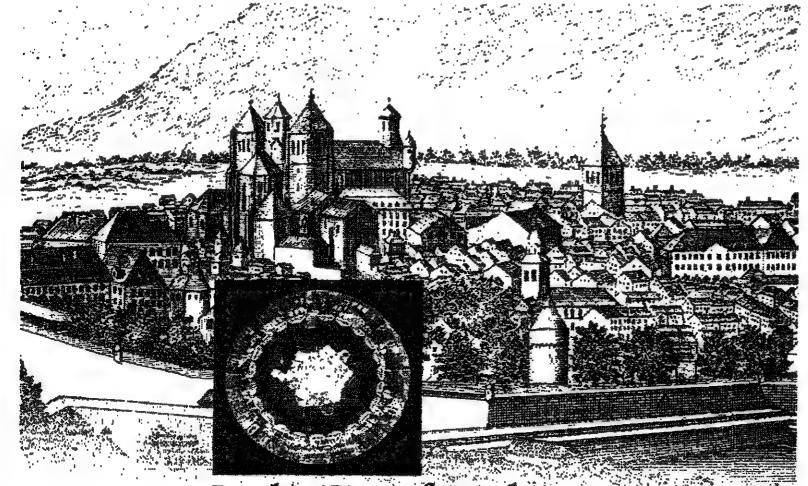
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Bankers are also highly critical of the move to extend the national price-control system to interest rates. At the same time, they are smarting from public anger at recent rises in mortgage rates, which they claim resulted from the government's monetary policy and not from their own attempts to widen their - narrow - interest margins.

"The operating environment for the banking sector looks less encouraging for 1990," said Credit Sulsse executive Mr.Ernst Schneider in Zurich in March. Most other money men are expressing similar

For all that, the banks seem confident they can go on producing good to very good results in the future. With a current yield of more than 3.7 per cent can be considered semething of

John Wicks



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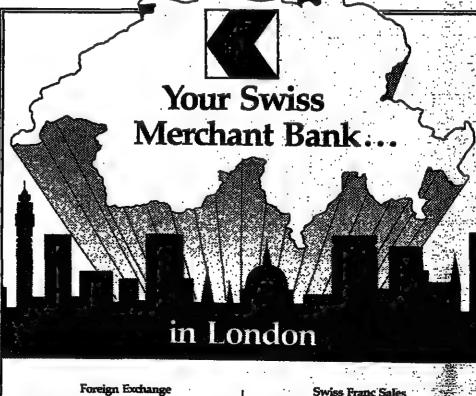
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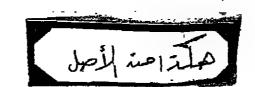
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John Wicks looks at one of the world's most highly industrialised countries

## Grasping the opportunity to invest abroad

Switzerland is one of the world's most highly industrialised countries. In export terms, Swiss manufacturers are among the leaders in a range of products from watches and pharmaceuticals to looms and machine tools.

The stress is firmly on added value - ton for ton, the price of exports is more than five times that of imports. Industrial output has been rising steadily for the past seven years, its value increasing faster than its volume. This has been due primarily to heavy demand on foreign markets, exports making up almost one third of gross national product.

At the same time, prosperous Switzerland is its own best customer, with consumption far in excess of its 6.7m population. Industrial production went up by some 2 per cent last, year. This follows a rise of as much as 7 per cent in 1988 and a series of earlier annual increases going

Credit Suisse reports that

1990 began "in full swing", thanks both to good business conditions in Europe and the favourable level of the Swiss franc. The overall view is that this year and next will see something of a slowdown in growth, for manufacturing in general and for the economy as a whole. The government expects industrial output to grow by a further 3 per

The overall view is that this year and next will see a slowdown in growth

cent in 1990, while most other sources feel it may stay at around 2 per cent this year and show a slight fall 1991.

It is perhaps rather surprising that there can be any real-terms expansion at all. By the fourth quarter of last year, some 89.3 per cent of existing industrial capacity was already being put to use, and this rate has probably increased

A March report by the

employers' association Vorort says that in many branches of manufacturing production is "increasing at the prevailing rate", while the volume of new orders remains high: in the fourth quarter of 1989, this was up 7 per cent on the corresponding period of the previous year, due mainly to higher export business.

The labour market is still virtually dried up, with an unemployment rate of only 0.6 per cent, whereby last year's 1.4 per cent growth in the industrial workforce was possible due only to the - politically sensitive hiring of more foreign

In fact, much of the increase in production value has come from a further raising of the level of industrial sophistication.

Over the past few years, most of the dead wood has already been excised from the economy, though restructuring programmes still continue - particularly in engineering. Switzerland also puts a great deal of money into research and development, the share

of private enterprise in total expenditure being higher than in any other industrialised country.

As for new capital investment at home, opportunities are limited by the lack of space for new industrial sites and, once more, by the shortage of manpower. However, industry has recently been putting an increasing amount of money into new plant and equipment.

After adjustment for inflation, domestic investment in equipment is believed to have gone up some 5.5 per cent last year and is seen by most economists as rising by close to a further 4 per cent in 1990.

The BAK working party in Basle even expects average annual growth of 5 per cent over the period 1987/ 97. No national statistics really reflect developments within the companies themselves, though, - even among the smaller manufacturers - Switzerland is primarily a land of multinationals.

Few companies of any size sell the bulk of their

for many of them Switzerland is only one, albeit an important, manufacturing location.

This trend to global activities has become much more marked in the past few years.

The Swiss National Bank reports that industrial companies alone had direct investment abroad with a

Few manufacturers of any size sell the bulk of their production at home

book value of no less than SFr45.6bn by the end of 1988. Production in foreign countries has long been growing faster than in Switzerland itself.

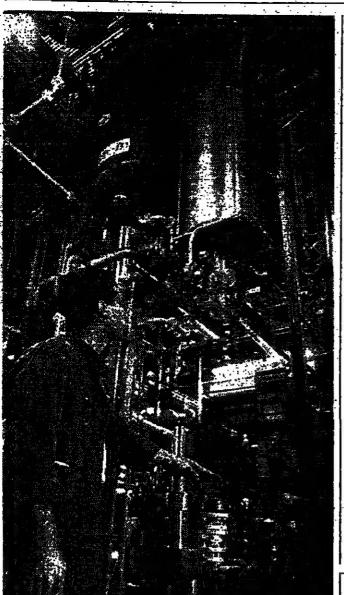
The same goes for research and development activities. According to Mr Wolfgang Marti, chairman of the Swiss Association of Machinery Manufacturers, latest figures show that Swiss companies' expenditure in this field has been rising by 2.5 per cent a year

production at home, while in Switzerland - but at a

rate of 7 per cent abroad. In spite of the various difficulties on the home front, top industries – among them watches, machinebuilding, metals, chemicals and textiles - have had a good year with generally increased profits. Union Bank of Switzerland says that as many as 83 per cent of all industrial firms involved in a recent survey expected higher turnover for 1990, more than a third of the total already reckoning with higher earnings.

These findings are being confirmed by the spring crop of annual reports. In fact, investors are showing little reaction to this heartening news. The Swiss Bank Corporation share index for industrials shows that prices are still 7.4 per cent below the high booked last August.

With a price-earnings ratio of just over 16 - compared with almost 25 before the Black Monday crash of 1987 - industrial equities may soon be attracting



CHEMICAL INDUSTRY

## On the crest of a wave

THE Swiss chemical industry stayed on the crest of a wave in 1989, with turnover up by some 10.5 per cent over the previous year and what will prove to have been an all-time high in earnings. Exports, which account for more than ninetenths of production, grew by 12.3 per cent for the year despite sluggish prices, keen international demand having been spurred by the weakening of the Swiss franc against key

Taking into account the extensive foreign operations of the major companies, progress was even more impressive. The joint turnover of the Baslebased chemical and pharmaceutical groups - Ciba-Geigy. Sandoz, Roche and the chemicals division of Alusuisse-Lonza - went up by about 20

Indications are that most of the small- and medium-sized companies also fared wei

per cent to some SFr45bn, with an even faster growth in profits. Indications are that most of the country's many small- and medium-sized chemical companies also fared well.

It appears that all main product groups showed at least some increase in overall sales and earnings for the year. For the industry as a whole, actual output was higher by 7 per cent in the third quarter - the latest period for which results are known - than in the corresponding period of 1986.

The industry is far from resting on its laurels, however. Like all branches of the Swiss economy, it is faced by almost full capacity use, a marked scarcity of personnel and a virtual inability to build green-field plants on home soil. Companies are thus having

to spend large and increasing amounts on capital invest ments and research to add even more value to the produc-tion programme in Switzerland - this at the same time as constant efforts to expand foreign production and research and development

The past year has seen a flurry of measures on the part of the leading companies to adapt to changing conditions. On the one side, these have taken the form of strategic acquisitions, such as Ciba-Geigy's purchase of Toledo Scale or the more recent deal in which Roche acquired control of the similarly American bio-technology firm Genentech.

At the same time, a number of operations no longer fitting into corporate strategies were sloughed off: Ciba-Geigy last year sold the Ilford photographic division and the elec-tronic-systems subsidiaries Spectra-Physics and Gretag, while Roche finally disposed of Kontron Instruments and Kontron Electronics.

Generally speaking, Swiss chemical companies are today aiming to extend their core businesses - not least by smaller, "rounding-off" acquisi-tions - and divest fringe operations. On the other side, the leading firms have been

making important changes to their corporate and manage-

The most far-reaching of these took place last summer when the former F. Hoffmann-La Roche carried out a thorough revision of its obsolete capital structure, simultaneously turning itself into Roche Holding.

Sandoz also became a hold-ing emity, with the creation of Sandos International as a management unit for six sectoral subsidiaries, and that of San-doz Technology with group-wide responsibility for the fields of ecology and safety, industrial technology, patents and trade marks and "infor-

matics" (data proces For its part, Ciba-Geigy now proposes to become the first Swiss chemical company to open its stock ledger to foreign holders of registered shares, as well as scrapping its (non-vot-ing) participation certificates. Initial indications are that

the industry has got off to a good start in 1990. All branches seem to be expecting further improvements in sales, profits and investments. Results, however, will probably fail to reach the same substantial growth rates as last year. One reason for this lies in the firming-up of the Swiss franc: last year, for example, Roche's group sales had risen 21 per cent despite an increase of "only" 12 per cent in terms of local cur-

Other factors include an expected noticeable rise in edstock and labour costs and the likelihood of only modest increases in sales prices. Indeed, the Swiss Society of Chemical Industries points out that the growth rate began falling off in the second half of last year. While turnover for the second quarter of 1989 was 15.2 per cent up in an annual comparison, fourth-quarter sales were higher by only 7.7 per cent than those for the corresponding period of 1988.

Pharmaceuticals remain by far the biggest single product group within the Swiss chemical industry, accounting -

**Pharmaceuticals** remain by far the biggest single product group within the chemical Industry

together with diagnostics and vitamins - for more than 40 per cent of sales.

In spite of moves on individ-ual national markets (including that of Switzerland itself) to contain health-care costs. the "big three" companies all booked sales increases of 20 per cent or more for the past year and are optimistic as to their chances in 1990.

Elsewhere, plastics are seen by Union Bank of Switzerland as showing further progress this year after below-average growth 1989, while the rate at which earnings rise in the important dyestuffs sector may well level out. As always, the fate of the agrochemicals industry will depend to a large extent on that of American farming as its major customer.

John Wicks











Union Bank

The leading Swiss banks have one thing in common: they are constantly developing new financial tools—designed to meet the changing needs of the businessman active in the world's money markets. There are many different answers to a financial question, but only one real solution: the one that is tailor-made.

## Well-timed recovery

AN EXTRAORDINARY surge had given the Swiss watch industry 31 successive months of expansion by the end of January. The prospects are that 1990 will be another good year. But the industry has almost no scope to increase output. In the last quarter of 1989, capacities were employed by 95 per cent

of the theoretical total. So well has business gone. that even the medium-priced sector - which Japanese competition all but wrecked a few years ago - has looked quite healthy. That can be seen from the figures for last year's out-put of watches in steel cases: it

rose to 3m from 2.4m in 1988. Competition in this field has been especially tough, and there is some reason to think that the Japanese have had rather the worst of the argument. At any rate, SMH, which accounts for three-quarters of Swiss production of finished watches (and more, if you include movements) is expected to announce a steep

increase in profits for 1989. At the top end of the market, the Swiss watchmakers always have been supreme: their market share in this category is put at 85 per cent. These are watches cased in gold or other precious metals, often with extremely complicated works. Production, frequently by hand assembly, reached 475,500 pieces in 1989 as against 375,000 the year before. Their average price per piece last year amounted to almost SFri,000, but it can run into hundreds of thousands for pieces that often

are loaded with gem stones. At the lower end of the market, where the battle of the past few years has been fought, the Swiss, and that to a great extent means SMH's celebrated Swatch, could no longer add to the astonishing progress of pre-vious years. Production of watches in plastic cases fell marginally from 13.7m in 1988 to 13.6m. The main reason appears to have been that the two automated Swatch production lines were running flat

But the question has been put whether the Swatch might cease to be the dynamic power it has become. What will make the answer so important is the fact that the sheer volume of Swatch output provides all-important economies of scale in the production of certain com-ponents which it shares with more expensive watches from SMH and other makers. So far, the Swatch has been

kept bubbling by constant styl-ing changes and by the addi-tion of variants, such as the larger Pop Swatch. Mr Nicolas Hayek, head of SMH, has ideas going well beyond that sort of tactic. On his wrist, along with other SMH watches, he wears a chronograph Swatch, which is about to be launched. There is also going to be a mechanical Swatch mainly for sale in countries where batteries for quartz watches are scarce or unduly expensive. That is an odd complement to the phe-nomenon at the top, where wealthy clients often prefer the traditional works to the sup-

posed banality of quartz.
In any case, Mr Hayek says,
Swatch has become a brand name of immense potential. SMH, which extends into elec-tronics beyond the making of watches, already produces a Swatch telephone. Stories have even appeared of a possible Swatch car, a battery-powered runabout. That vehicle, if it ever gets on to a production-line from the front page of illustrated weeklies, would be assembled by a partner con-cern. SMH would expect to provide much of the engineering as well as marketing flair.

Mr André Margot, president

of the Swiss Watchmakers' Federation, is sanguine in his assessment of the outlook for his industry. He points out that high prestige manufactur-ers, such as Rolex, are either building or planning new capacities. They will help to avoid bottlenecks such as that in which the industry finds

itself at present.

But he adds a gentle warning that outside influences can cause unexpected problems. A case in point - though a help rather than a blow - was the end of the war between Iran and Iraq. Mr Margot says that it explains a one-third jump of exports to Saudi Arabia in 1989. The Saudis bought more watches because of a general revival of confidence and

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because the financial burden of subsidising Iraq was reduced. Mr Margot lists among the industry's strengths the fact that its export markets are well spread over different regions. Since no less than 95 per cent of Swiss production is exported (and more if you add sales to tourists), it is obviously desirable for export markets to be soundly expressived. kets to be soundly structured. The importance of the issue is increased by the uncertainty surrounding the future of Swiss commercial relations with the EC.

Where the immense strength of the Swiss industry is concentrated can be gauged by the fact that of an estimated 600m watches and movements produced in the world last year, some 14 per cent or 80m were made in Switzerland. If you take not units but value, the Swiss share leaps to above 50 per cent. At the luxury level, the Swiss share is even higher.

The chief export markets are Europe with 36 per cent in 1989, all but 2 per cent to the Community: Asia with 41 per cent, including 7 per cent to Japan; the Americas with 18 per cent, of which 14 per cent goes to the US.

goes to the US.

The largest national market is Hong Kong, which last year bought Swiss watchmakers products for SFr1,043m. Hong Kong predominantly takes movements which are made into watches there or in Hong Kong-controlled businesses in

Asked whether these movements do not return on to world markets in cheap watches competing with the Swiss product, Mr Margot says that a portion goes to China. where the Swiss sell few watches, (but a modest regular annual contingent of components). And he adds that Hong Kong is a good place to fight it out with the Japanese. Last year there was a price-cutting war there involving movements; Mr Hayek says he ordered SMH to fight it out.

Asked whether money was lost, he gives the sibylline answer that SMH is making, money. Some of the Japanese

W.L. Luetkens



vowed that Blancpain will never make quartz watche Right 50 men and women put Biancpain watches together by hand

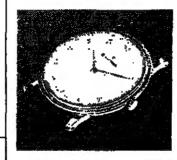


PROFILE: BLANCPAIN

## Never-never strategy pays off

A BREEZY and successful Swiss entrepreneur stood up before a serious audience of 400 and told them that waves emanating from quartz watches might affect their love lives. He did not say whether the effect would be good or bad, and he did not expect everyone in his audience to be

Mr Jean-Claude Biver, the man in question, was not merely pulling 400 pairs of legs. He was also mischievously making publicity for Blancpain, the luxury watch-maker, which he runs with a



50 per cent equity stake. Mr Biver says flatly that Blanc-pain will never make quartz

By agreement with the other shareholder, Mr Jacques Audemars Piguet brand), Mr Biver has a casting vote in the company's affairs and is

Though Blancpain is one of the oldest brands in

watchmaking, it was no more than a name when the two men bought it in 1983

responsible for overall policy and marketing. Mr Piguet, who is more interested in the technical side, also runs a family business making high-class watch move-

Though Blancpain is one of the oldest brands in watchmaking, it was no more than a name when the two men bought it from a watchmaking corporation in 1983.

Mr Biver not only vowed never to make a quartz watch. There are other "nevers" in the proclaimed strategy. There never will be a Blancpain "collection" of watches of differing external appearances intended to fit in with fashion. Styling never changes as all Blanc-pains are round and look identical on the outside, but for three variables: large and small for men or women; varied thickness to accommodate the differing degrees of com-plexity of the works within; a choice of steel, gold or plati-num. Some watches are available with transparent cases to reveal the complication of the works within. A few have diathe pocket watches that are to come on to the market soon. Nor will the watches ever be made on an assembly line. Each one of the 5,800 pieces finished last year was assem-bled by one of the company's

watchmakers. That is less than

half the volume of some other

luxury producers. At present Blancpain has 50 men and women watchmakers working in three small ateliers, putting the watches together by hand from parts several of which are thinner than a

human hair.

So far the "never" strategy has worked well: Blancpain sales have grown from SFr4m in 1984 to SFr21m in 1988, SFr30m in 1989 and a forecast SFr41m-42m this year. But skilled watchmakers are hard to find: only about 30 finish their training in Switzerland every year. That could make it difficult for Blancpain to fulfil Mr Biver's hope eventually to produce up to 10,000 pieces each year. He says that in spite of huge markups he cannot find the retailers to handle a

greater number.

Blancpain's watchmakers work the hours they choose, magnifying glass clamped to forehead, with boxes of hand tools and parts at their sides. You migr MGLS engaged in silent meditation. Another touch of artisanship: there are no cleaners. The watchmakers are responsible for keeping their working area spotless. But the air of pure handicraft is deceptive: computers and lasers are used when suitable in production and design. A Swiss diplomat aptly summarised this mar-riage of traditional skills and high technology when he described Blancpain as a "ret-

rospective innovator". Why this insistence upon traditional watchmak ing and almost plain outward appearance? Mr Biver says of himself that he likes the sheer ingenuity and skill that goes into a top class mechanical

It appeals to Blancpain's cli-ents too, but something else also counts: understatement. The Blancpain watch is a very expensive watch, which does not show the fact, and appeals to the not so nouveau riche. You can order one in Switzerland starting from SFr3,500. Or you can bid not far from SFrim for the platinum version of a forthcoming limited series of Blancpains combining all the mechanical features of the basic six models: Thin automatic mechanism;



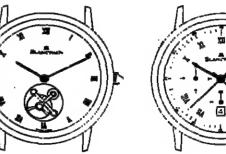


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■ A chronograph with split second which allows you to take, for instance, the lap-time in a race and restart the hand

to show full elapsed time, including the period while the ■ A perpetual calendar; ■ A tourbillion device which eliminates the effect of the

The watches will

never be made on an assembly line. Each of the 5,800 made last year was assembled by the company's watchmakers

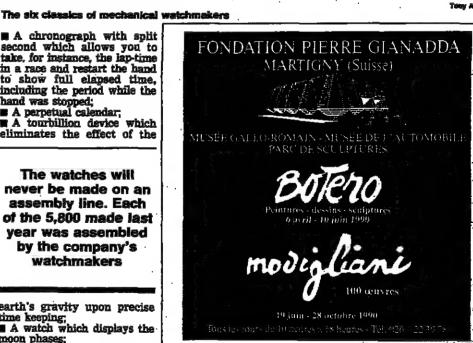
earth's gravity upon precise time keeping;

A watch which displays the

■ A minute repeater which strikes the hours, quarters and minutes when you push a con-trol. Making one repeater requires 690 hours' work, plus, say, 100 hours for research and

Blancpain undertakes never again to make this particular summary of the watchmaker's art once the series is sold. What will Mr Biver's grandsons think about that "never" Mr Biver laughs: "They will think I was crazy.

W.L. Luetkens



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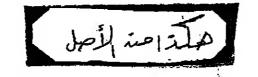


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Solutions



### **SWITZERLAND 5**

THE TRADE déficit habitually run by Switzerland increased by nearly 20 per cent in 1989 and shows no sign of falling decisively this year. There was some grumbling in parliament, but economists and the authorities remained remarkably

Dr Walter Brodmann, chief economist to the Federal Office. for External Trade, said that from the point of view of economic management, the trend is desirable". Dr Fritz Ebner. Secretary of the Central Office of the Chambers of Commerce and Industries Organisation, has much the same attitude.

There is an obvious explanation for this calm. Switzerland usually has a healthy surplus on services, including remitted profits and dividends. So there is no question of a balance of payments crisis, looming or actual. Dr Brodmann estimated that a trade deficit of SFr11bn last year caused the current surplus to sink below SFr10bn

for the first time since 1983.
Such a reduction he said, is normal at times of high economic activity. In the last quarter of 1989, Swiss industry was stretched to 89 per cent of its capacity and the largest exporter, the machine-building industry, was up to as much as 92 per cent. In such circumstances, imports - especially as increases were concentrated on raw materials, energy and

components — serve as an anti-inflationary safety valve.

The figures are greatly influenced by a decline in the exchange rate of the Swiss franc which caused a worsening of the terms of trade. The nominal increase of exports was 12 per cent, that of imports 14 per cent. In volume, both exports and imports grew by

roughly 5-6 per cent. Yet Dr Brodmann had a warning for those who might conclude that everything in

Swiss exports

**OPEC 3.3%** 

Regional distribution 1989

Non-oil developing countries 12.6%

Trade deficit shows no sign of falling, says W.L. Luetkens

## Competitive edge softening

the garden was rosy. He spoke of a gradual erosion of Swiss comparative advantages in world markets... Building land is scarce and

expensive in this small country. There is a shortage of top quality specialists in the hightechnology areas and a certain preference for cartels. Other exporting states are improving their competitive strengths. Besides, Switzerland has for

long had some of the highest labour costs in the world, which were partly compensated for by very low interest rates. Now the globalisation of financial markets has caused interest rates to creep up towards international levels.

Many industrialists might add that the public export cred-it-risk guarantee system is modest by international stan-dards. It only insures political risks and not those arising from financial difficulties of the client or exchange rate

Reduced competitive strength would badly hurt a country so dependent upon export business. Since a sharp recession in the mid-1970s, the Swiss have increased their visi-ble exports from 26 per cent of gross domestic product to almost 40 per cent. That is a very high proportion (although in Belgium and the Netherlands it is even higher).

Exports are heavily skewed towards capital goods which have profited from the current European investment surge. They are also largely directed towards the European Community, which took in more than

Under such circumstances, it is obvious that Switzerland will watch anxiously negotiations on its future relations with the EC and those for the further liberalisation of world

trade in the General Agreement on Tariffs and Trade. Like most others who do not belong to the leading trading powers (North America, Japan and the European Community), the Swiss are afraid that the minor powers will go to the wall unless the Gatt principle of multilateral rather than bilateral arrangements and of most favoured nation status for all is further strengthened.

Ambassador David de Purv.

who handles the Uruguay Round Gatt negotiations for Switzerland, said that a success in Gatt would make it more difficult for the big blocks to become protectionist. The Swiss would consider that an advantage whether or not they gained closer economic ties with the European Community in the proposed "European Economic Space" (EES). They dislike the idea of a "Fortress Europe," regardless of whether they might have to batter at its gates from outside or defend it from within.

Switzerland particularly objects to protectionist meth-ods applied selectively against particular exporting countries. The fashionable agreements for voluntary restraint, such as those imposed on Japanese car exporters, are an example. Mr De Pury said that sort of thing amounted to "legalised sin". A country wishing to restrict

Total EC 56.8%

France 10.0%

UK 5.9%

insuperable challenge for a confederation of 26 nominally independent cantons and half cantons held together in a jealously-guarded federal structure by a system of direct democracy and a doctrine of neutralpean Economic Space (EES), the label for the more inte-grated relationship that the EC

imports would be much less chemical and pharmaceutical likely to do so if it had to industries also very much industries also very much depend on the value of their patents. On agriculture, Switzerland

parts company with the US. The Americans have proposed the abolition of all farming subsidies. This is a political impossibility for Berne.

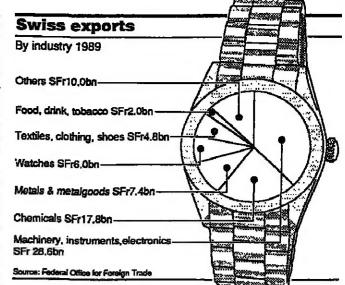
Swiss farmers and peasants receive some of the highest subsidies in the world. They also have immense political influence. Any grave inroads sidy would certainly be challenged by referendum, and probably successfully, because referendums favour the farm-

ing regions.

Mr De Pury said that ideas to reform the system are being worked on. The purpose would be to switch from subsidy of farm output to payments, for instance, for the farmers' services to the environment by adopting ecologically desirable farming methods, or services to the community.

The latter is not as farfetched as it sounds: if the summer pasture lands high up in the mountains were ever to be abandoned, the danger of avalanches and of landslips would be greatly increased.

The European Community has similar ideas. The question is whether the US, in its turn, will regard them as legalised



William Duliforce discusses relations with the EC

## Confederation faces greatest challenge

SWITZERLAND'S relationship with the European Community poses the greatest challenge the Confederation has faced since the Second World War. Many Swiss businessmen and more and more politicians are coming round to that point of view, even though for most ordinary Swiss the

extend that restriction to

Improved international pro-

tection for intellectual prop-erty is high on the list of Swiss - as of American - objectives

in the Uruguay Round. One

need think only of the watch

industry, Switzerland's largest

exporter next to the machine-building and chemical indus-

tries, which has suffered

greatly from unauthorised

copying of its designs and pirating of its brand names. The

imports from all countries.

issue is still swathed in fog. The challenge is complex. It is evident that, in return for the freest possible access to the EC single market in 1993, Switzerland has to "pay" in terms of foregoing some measure of independent decision-making and of changing some long-standing commercial, banking and labour practices.

But a payment deemed acceptable by the 12 EC member states and by the five other members of the European Free

members of the European Free Trade Association - Austria Finland, Iceland, Norway and Sweden - could still pose an

and the European Free Trade Association (Éfta) are due to start negotiating in June, will have to be approved not just by the Swiss federal parliament but by the people and the cantons in a national referen-



dum. Only three years ago the Swiss voted by a ratio of more than three to one against join-ing the United Nations; not one of the cantons or half cantons voted in favour.

The Swiss had voted to safe-guard their neutrality and national sovereignty, a leading opponent of UN membership said. The vote had been a vic-tory of heart over mind, of emotion over reason, was how an advocate of membership

Probably, the Swiss can be counted on to take a more pragmatic attitude when essen-tial economic interests are at stake. But a popular vote on a tighter relationship with the EC - depending, of course, on the nature of the package

agreed by Efta - could prove to be extremely divisive.

Even before its shape is known, the EES has evoked three sharply different attitudes among the Swiss those, like the employers' fed-eration, who see it as the only means of maintaining both Swiss unity and economic competitivity; those who already affirm its incompatibility with Swiss sovereignty; and those who believe that Switzerland should follow Austria's example and apply for full EC mem-

Mr Jean-Pascal Delamuraz, the Economy Minister in the vanguard of the talks, has been urging people to hold judge-ment until they see the result. But he, too, said in a recent

Interview that Switzerland's final attitude would depend on "the quotient of pain" in an EES agreement. The government has given assurances that no agreement would be struck at the price of Switzer-land's neutrality. federalism

and direct democracy.
With typical pragmatism the
Swiss initially wanted to negotiate with Brussels both through Efta and on their own. That approach was balked when Mr Jacques Delors, presi-dent of the EC Commission, told the Efta countries in January last year to negotiate as a bloc and offered to find some form of joint decision-making.

Together with their partners the Swiss have agreed that the EES will embrace the four freedoms of the EC single market. covering the movement of goods, services, capital and persons. But the Efta countries will ask for exceptions "justified by considerations of fundamental interests" and transitional arrangements which, it is already understood, will include agriculture and fishing

A key exception for Switzerland concerns the free circulation of labour. With 1m foreigners in a 6.6m population the Swiss are not willing to drop immigration controls and abandon their policy of "stabilising" the proportion of out-siders to natives, although they say they are willing to agree on a reciprocal basis on "qualitative" improvements to their regulations.

Swiss companies' investment abroad is within the EC but a Swiss law, designed partly to stop outsiders erecting holiday homes all over the Alps, restricts foreign direct invest-ment in real estate and establishes an obstacle to foreign

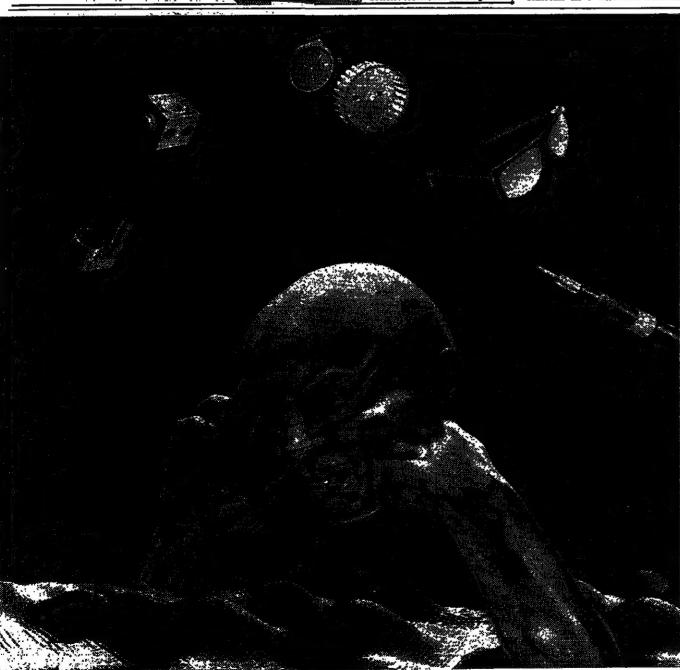
takeovers of Swiss companies.

If the impingement of an eventual EC-Efta co-decision mechanism on Swiss sover-eignty and democratic rights does not prove to be the makeor-break issue, then it could be road transport and Switzerland's role as a transit route between the northern and southern parts of the Commu-

Berne is offering a SFr10bn project to build a new northsouth rail route through the Alps to carry heavy lorries on railway wagons. But the mountain cantons refuse to drop the confederation's 28-tonne limit and accede to the Community's demand that EC 40-tonners be allowed to use Swiss motor-

Yet the Swiss cannot afford to be too intransigent. The of their exports of goods; almost three-quarters of the premiums of their insurance companies are culled within

Their negotiators have plenty of scope for exercising in the EC Efta talks that gift for compromise which is another essential ingredient of Switzerland's federal structure.



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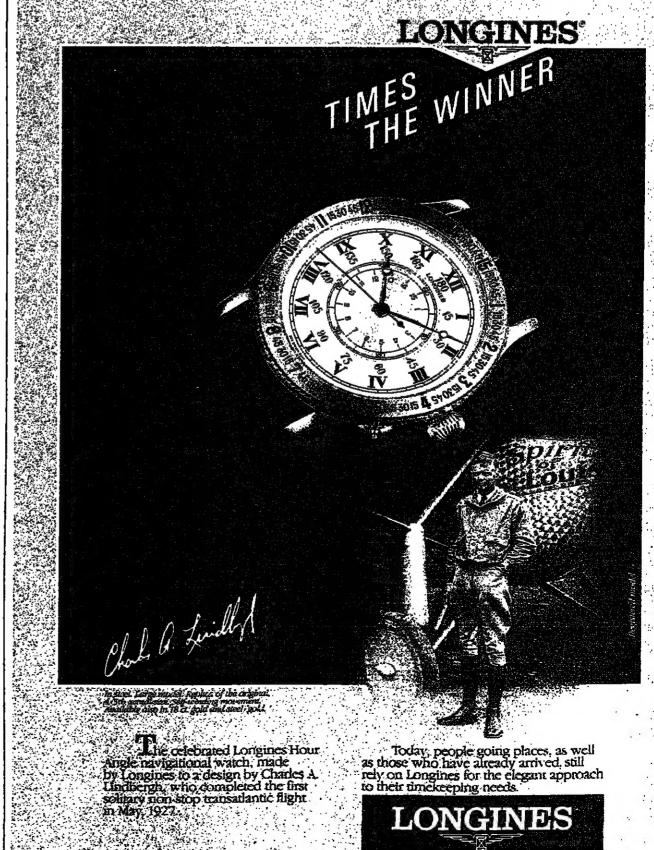
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Alpine regions back in tashion; there are moves to encourage tourism "not geared to lifts and cable care"

W.L.Luetkens investigates the tourist industry

## Green wave washes Alps

THE GREEN wave is washing around the Swiss and other alpine tourist industries, an extremely important source of income for mountain folk The publicity of the Swiss National

Tourist Office (SNT) is this year con-centrated on lakes and rivers as the "jewels of Switzerland". It makes play of the claim that Switzerland has radically cleaned up its waters. A very different organisation, the Bellerive Foundation, founded by Prince Sadruddin Aga Khan, has raised the alarm that much more needs to be done to prevent an ecological catastrophe in the Alps, to which tourism, unless tamed, would

How circumspectly this matter needs to be handled can be deduced from a few facts about the role of the tourist industry in Swiss life. It provides some 6 per cent of gross domestic product and gives work to about 7 per cent of those gainfully employed in the country. Last year it contributed gross income of about SFr11.5bn to the balance of payments, or SFr1.8bn if you deduct what the Swiss themselves spent on foreign travel. The importance of the tourist trade for mountainous regions far transcends that for the economy at large. In these regions, it is the only significant alternative to agriculture, and without tourists would rapidly

become depopulated. With the development of even more destinations for mass tourism, Switzerland has inevitably lost market share. The opening up of eastern Europe may add to that effect. But within the limited scope of a small country, the Swiss industry has been holding its own. Dr Helmut Klee, deputy head of the Swiss National Tourist Office (SNT), forecast that the provisional figure of 77.2m overnight stays in paid accommodation last year – including 36.5 by foreigners underestimates the real result. If so. it would be second only to the record year of 1980. Poor snow conditions at the beginning of this year have probably dashed hopes of another 3 per cent

increase to break that record. Dr Klee detects a return to fashion of the alpine regions. Some southern European destinations have suffered bad publicity because of pollution and other drawbacks. Interest seems to have revived in holidays other than beach dolce far niente.

The Swiss industry is only moderately well placed to take advantage of this trend. It lacks scope for greatly increasing capacity. On the contrary, for environmental reasons, no important new skiing region has been devel-oped in the past 10 years. The capacity of those existing has been increased, but is narrowly limited.

Labour is hard to find. The more menial jobs are usually done by migrant labour, and immigration controls are tight. As soon as they can, many of the foreigners drift off into higher paid jobs in industry. Since the better workers are most likely to leave, productivity has suffered.

By Swiss standards high mortgage rates have added to the difficulties. Many hoteliers have closed their busies in recent years, though the number of beds available has remained roughly stable. Some worry has been caused by allegations that both hotel staff and the population at large are becoming less friendly towards the visiting foreigner. Dr Peter Keller, who holds the brief for tourism in the Federal Office for Industry and Labour, admits that the old-style hospitality of alpine culture has faded under the influence of urbanisation and industr-

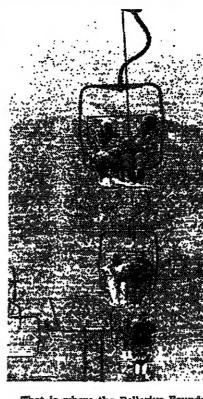
Criticism on this score has been suffi-ciently worrying for the SNT to take sample polls. Roughly half those ques-tioned thought that the reception they

There seems to have been a revival of interest in holidays other than beach dolce far niente

had received by personnel and people had been very good. Much the same proportion said that prices were rather high or very high. Switzerland has been expensive since before the war, yet in 1988. 8 per cent of all hotel rooms cost less than SFr30 a night, and another 30 per cent from SFr30 - SFr50.

Among Swiss assets, the SNT lists what must be one of the world's most efficient public transport systems, the opportunity for leisurely holidays, but also museums, picturesque towns and the like. To take advantage of the cleaned up waters, a Boat Pass will be sold for SFr30, giving the holder half-price travel on scheduled services on the main lakes and rivers.

On the negative side, the SNT lists the high visibility of drug abuse in certain corners of the big cities, which could undermine the generally held picture of Switzerland as a safe country. The SNT also refers to excess development of tourist facilities in certain places - an area where Dr Klee admits



That is where the Bellerive Foundation comes in. Though its Alp Action is more generalised, it does specifically address the tourist industry. Prince Sadruddin, who has had a distinguished career in the United Nations, says that he wants to encourage "soft" tourism, "not geared to the proliferation of lifts, cable cars and car parks", and to "bringing the cities to the mountains". There should be more respect for nature, more hiking and more cross-country skiing. Perhaps the tour-ists should be spread out more thinly.

He said the Foundation is a letter box or intermediary between business and those concerned about the Alps. It is looking for sponsors to finance a number of projects in several alpine countries. For an estimated SFr49.150 a corporation could sponsor a plastic card to be issued to tourists, entitling them to discounts on selected transport and in sports facilities. It would carry the logos of the sponsor and of Alp Action, as well as Golden Rules, including the following: use public transport; travel off-season; walk and bike; keep to path and piste; respect wildlife; remove all

rubbish; put out the fire.
For a budget of SFr39,675, a sponsor the extinction of the Edelweiss flower. To support its case, the Foundation cites studies suggesting that more than half the trees in the Alps are sick from pollution.

Not everyone in the tourist industry will cheer these environmental objec-tives. But Dr Klee of the SNT says that intact nature is an important selling point. The environment should be handled so that it remains intact 100 years Machinery manufacturers are working flat out

## Engineering industry breaks all records

THE SWISS ENGINEERING industry continues to break all records. Last year, machine exports rose by almost 10 per cent to reach a high of SFr24.3bn, and domestic sales brought this figure up to well the SFr30bn mark.

With few exceptions, the ers are expecting - several have already announced - a further rise in profits for the

The increase shows no sign of ending. The Swiss Associa-tion of Machinery Manufacturers (VSM) said that new orders went up by 12.3 per cent in 1989 for 200 reporting compa-

This included a 16.6 per cent jump in export orders to SFr15.1bn and an increase of 5.6 per cent in those placed by Swiss customers to some SFr8.5bn. The same 200 firms booked an average value of SFr16.6bn for the year, com-pared with sales of SFr21.8bn. These figures mean that pro-

ducers are working flat out. The Federal Bureau of Industry, Crafts and Labour in Berne said that by the final quarter of last year, the 'machinery and apparatus" sector was running at a rate of 91.8 per cent of capacity. VSM estimated average backlogs for the year of 7.4 months' output. It is hard to say just what effect this will have on delivery dates, as production time has tended to fall since the automation and refinement of the manufacturing process. Nevertheless, the industry

seems close to its limits. According to a recent statement by Dr Walter Brodmann, of the Federal Office for Foreign Trade, an even slower growth rate this year will most likely mean that, at least in some fields, supply will be unable to keep up with

Another limitation to further expansion at home is the chronic shortage of manpower. The labour force in the Swiss machine-building industry. which has expanded by little more than 2 per cent since the mid-1980s, is barely enough to

handle growing production.
Indeed, there are indications that many manufacturers are unable to accept some of the orders. The official number of situations vacant registered with labour exchanges - itself well below the actual requirements
- is almost three times that of

unemployed persons.

These factors are becoming increasingly important as the call for Swiss machinery on the world market continues to grow. As a result, engineering firms are investing substantial sums in their domestic capaci-ties – particularly in moderni-sing and upgrading existing installations - and are looking intensively at chances to

expand abroad.

While no reports are available yet for the current year,

The labour force in the industry is barely enough to handle growing production

the industry is optimistic. Production appears to have risen further during the first quarter and a Union Bank of Switzer land (UBS) survey commented that manufacturers were in the main expecting another good

However, it seems that the growth rate will be lower than in 1989. Most of the industrialised countries, which account for the lion's share of Swiss machinery exports, and Switzerland itself are expecting something of a slowdown in economic growth.

At the same time, the Swiss are unlikely to benefit to the same extent from the exchange rate as last year, when the trade-weighted Swiss franc dropped 5.2 per cent interms of the currencies of major mar-

In the meantime, the country's traditionally low inflation rate has gone up to over 5 per cent — its highest level in eight years.

VSM warned that long-term prospects for the engineering sector will depend largely on Switzerland's success in profiting from the creation of the European economic space. For reasons of domestic pol-

icy, the Swiss are unable to join the Community, though it

machinery exports, with an additional 8 per cent going to EFTA partners.

Therefore, apart from direct investments and joint ventures within the EC, companies are looking at ways to increase One example, is a project to

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form some kind of joint-holding for a number of Swiss machine-tool producers, aimed at pooling resources in market-ing, research and sales.

In the important American market, the US authorities appear to have given up former attempts to make such leading machine-tool exporters as Switzerland adhere to a "voluntary" quota system, a move which the government in Berne had rejected. Interest is now centred on Washington's policy towards the Cocom agreement governing exports of high-technology products to

eastern Europe. Switzerland is not a signa-tory of the agreement but has the same requirements to obviate its becoming a loophole for such shipments. An easing of the system would facilitate socialist - or formerly socialist – countries but also to

Cocom members in the west. Swiss engineering companies have traditionally done well from offset agreements in purchases of defence hardware, specifically aircraft from the United States.

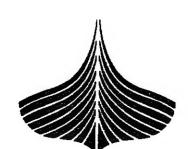
Some of these potential sales may now fall to take place as the Swiss government is considering cutting an important order for F-18 "Tiger" jets from

Whatever the case, the majority of product groups within the industry is said by UBS to be "very confident" as to their chances in 1990. The bank believes, however, that profitability will not be notice ably up on the 1989 level. A marked rise in earnings is expected only by the electron ics and electrical-engineering sector and precision-tool pro-Last year, UBS showed a rise

in both turnover and profit for every main product group.

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